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GENERAL

ICIR Views New United States-USSR Rivalry in South Pacific

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[Article by Wan Shuyu [8001 2885 3768] and Liu Yueming [0491 2588 2494]: "Preliminary Analysis of the New Rivalry Between the United States and the USSR in the South Pacific"]

[Text] The south Pacific region usually refers to the Pacific Ocean region that lies just to the north of the equator and south of the equator, including Australia, New Zealand and an overwhelming majority of the island countries in the three great Pacific Ocean archipelagos, namely the Micronesian archipelago and the Melanesian archipelago to the southwest, and the Polynesian archipelago to the east—a total of 24 countries and regions covering an area of more than 8.5 million sq km and having a population of more than 21 million.

The south Pacific region is a remote corner close to Antarctica that was formerly regarded as the "most tranquil" region of the world, and that lay "outside the confrontation between the United States and the USSR." However, recently the situation in the south Pacific region has begun to develop rapidly. The USSR has intensified its penetration of the region, and an active struggle between the United States and the USSR has begun here.

I

Following World War II, European and American periodicals termed the south Pacific an American "lake," and regarded the south Pacific region as a "power sphere" of the United States and other western countries. As early as the 1960's, the USSR began to send scientific survey ships and fishing boats to the region in an effort to penetrate it; however, results were miniscule. During recent years, by way of improving its strategic position in northeast Asia, the USSR opened a strategic air and sea passageway extending from the Far East (Vladivostok) to Cam Ranh Bay, and began an intense rivalry with the United States in the northwestern Pacific Ocean. The south Pacific is on the flank of the northwestern Pacific, and it is also a weak link in America's defenses. As an accompaniment to its rivalry with the United States in the northwestern Pacific, the USSR had to set the stage in the south Pacific region for spying on a series of American military bases in the west central south Pacific and its military activities in the south Pacific. In view of the development of the situation in the south Pacific region, conflicts arose between the United States and the island countries of the south Pacific, and some economic problems existed for some south Pacific countries themselves. The USSR lost no opportunity to use these conflicts and problems to push

its way into the south Pacific region. Following the signing of the first fishing agreement with Kiribati in August 1985, in December 1986 the USSR signed another fishing agreement, this time with Vanuatu, and also obtained some utilization rights to anchorages in some ports in Vanuatu. Reportedly, Soviet ships could freely enter and leave, fuel, and make repairs in only three ports, and crews could rotate in going ashore for rest. An article in the Japanese Mainichi Shimbun said that the Soviet fishing boats were not fishing for fish, "but for military intelligence about the United States 7th Fleet in the south Pacific."

Under the influence of the south Pacific national independence movement, south Pacific island trust territories have been carrying out a long struggle with the United States to end trusteeship. The national independence movement in the region began during the 1960's and reached a climax by 1970. Between 1962 and 1980, nine countries including Western Samoa, Nauru, Fiji, Tonga, Papua New Guinea, Tuvalu, the Solomon Islands, the Gilberts (which changed its name to Kiribati following independence), and the New Hebrides Islands became independent, and Niue Island and the Cook Islands gained internal autonomy.

A. Under the impetus and influence of the south Pacific independence movement, America's Pacific island trust territories also conducted a longterm effort and struggle to gain freedom and end America's trusteeship. The Pacific Ocean trust territories comprise a total of four political entities as follows: the northern Marianas and Marshall Islands, the Micronesian Federation, and the Republic of Palau. These trust territories were formerly German colonies, which the United Nations entrusted to the United States for administration in July 1947. According to the trust agreement, the trusteeship was to end in 1981. In 1969, the trust territories began talks with the United States about ending the trusteeship and restoring sovereignty. In 1975, the northern Marianas signed a treaty of "free federation" with the United States, becoming a separate territory of the United States and removed from all the trust territories. The government of the Marianas has a certain amount of autonomy on internal affairs; however, its foreign relations, defense, and customs are under control of the United States. The Marshall Islands, the Micronesian Federation and the Republic of Palau rejected such a practice. Demands for separation from the United States were fairly strong; consequently, the talks inched along with no agreement being reached and dragged passed the originally set date of 1981 for termination of the trusteeship. In 1982, the United States had no choice but to sign "free federation treaties" with both the Marshall Islands and the Micronesian Federation allowing them sovereignty over their internal affairs and foreign relations. The United States would be responsible for the next 15 years for their security and defense and would provide them assistance totaling \$2.2 billion. However, the trust problems were not truly solved. America's trust territory problems have become a handle the USSR can use to criticize the United States.

B. In its handling of the 200-nautical-mile exclusive economic zone problem, the United States offended numerous south Pacific island countries and established an image of high-handedness. The total area of the south Pacific is approximately 30 million sq km of which the land area is approximately 8.5 million sq km, the water area accounting for 72 percent of the total, earning it the appellation of an "aquasphere" possessed of plentiful fishing industry resources and other marine resources. However, in the past, most of the south Pacific's fishing resources were plundered by countries from outside the region. During the first half of the 1970's, catches from the south Pacific had a retail value of approximately \$1 billion each year, at least 75 percent of which were caught, processed, and sold by countries outside the region. Meanwhile, the countries in the region had to use foreign exchange to buy canned fish for their own consumption from these fishing countries. Urged on by the struggle of Third World countries to protect marine resources, member nations of the South Pacific Forum (a regional organization established in 1971) announced in 1977 the founding of a 200 nautical mile exclusive economic zone encompassing a vast area of water from Western Samoa in the east to the eastern Indian Ocean in the west, and from the equator in the north to Antarctica in the south, virtually all of which was under control of the countries in the region. The South Pacific Forum also established the "South Pacific Ocean Region Fisheries Bureau," which was exclusively responsible for matters pertaining to "scientific research, resources development, and formulation and coordination of policies" pertaining to the region's fishing industry. The United States had always indulged in unbridled fishing in the ocean around the island countries in the south Pacific, plundering the tuna; consequently, it refused to acknowledge the 200 nautical mile exclusive economic zone of the south Pacific countries. This action by the United States aroused intense dissatisfaction on the part of the south Pacific countries. Though the United States was also a country on the south Pacific littoral by virtue of its ownership of Eastern Samoa, it had been excluded from the fisheries bureau. Paying no heed to American accusations that it had "overstepped" the bounds of authority, the South Pacific Forum remained steadfast in deciding that it had sovereign rights over the protection of fishing resources. The south Pacific nations repeatedly asked the United States to take part with them in talks on the signing of a fisheries agreement, but the United States turned a deaf ear. It was only after the Solomon Islands seized and detained an American fishing boat in July 1984 (and released it only following payment of a \$700,000 fine by the captain) that the United States agreed to begin talks in September of the same year. Nevertheless, the United States resorted to a policy of foot dragging. Progress in the talks was slow. Such an attitude on the part of the United States about the fishing industry issue opened the way for the USSR to enter the south Pacific region.

C. On the issue of prohibiting nuclear testing, its maintenance of an attitude of support for nuclear testing by

France, and the deadlock in relations with New Zealand also placed the United States in a passive predicament. First was the repeated expression of intense opposition on the part of south Pacific countries to nuclear tests conducted on Mururua Island in French Polynesia in the south Pacific by France ever since 1963. (Between 1975 and 1986 alone, 83 underground nuclear tests had been conducted.) Inasmuch as France was a western ally of the United States, its construction on south Pacific territory of important military bases, particularly on New Caledonia, that stood guard over sea routes from the United States to Australia, and from the northern Pacific to Antarctica were important to the United States in stemming Soviet penetration and in strengthening the defense of the south Pacific. In addition, the United States was also apprehensive lest the wave of anti-nuclear sentiment wash over other nuclear test bases of the United States in the Pacific producing a chain reaction. Therefore, the United States maintained an attitude of partiality toward France. By so doing, the United States could not help but place itself in a position of confrontation with the countries of the south Pacific. Both the United States and France refused to sign the three attached protocols to the "South Pacific Nuclear Free Zone Agreement" that was to take effect on 1 December 1986. However, on the fourth day after that treaty was to take formal effect, the USSR signed the protocols. This could not but cast a shadow over relations between the United States and the countries of the south Pacific, but also helped expand Soviet influence. Speaking about the effect on relations with the United States and France, the newly appointed Australian ambassador to the United States, Rawdon Dalrymple said as follows: "France's nuclear testing in the South Pacific has damaged all western interests, and has particularly damaged United States relations with these island countries."

Yet another matter bearing on the anti-nuclear issue was the August 1985 announcement by the United States that it would no longer carry out obligations with regard to New Zealand in accordance with the Australia-New Zealand-United States treaty, because the New Zealand Labour Party government had refused visits by nuclear ships beginning in February 1985 (and subsequently declared a prohibition on nuclear armed aircraft from entering New Zealand's air space). As a practical matter, New Zealand was no longer qualified to be a member of the treaty, and this brought about a split among the Australian, New Zealand, and American signatories to the treaty, which had been the only western defense system for the south Pacific for the previous 36 years. This could not but help have an effect on the rival positions of the United States and the USSR.

D. Most of the south Pacific island nations are in straitened economic circumstances, requiring foreign assistance. To a certain extent, this has helped the USSR enter the region via fishing agreements. Except for a small number of countries, such as Australia and New Zealand that have abundant resources and vast territory,

most south Pacific island countries are small in area (under 100 sq km), have small populations (less than 100,000), are resources deficient (except for Papua New Guinea, Fiji, New Caledonia and Nauru, which have some land resources, most other islands have few land resources, primarily coconuts, cacao, and such primary products), and their industrial and agricultural production is only poorly developed. Not only do they have to rely on the importation of industrial manufactures, but some are not even self-sufficient in grain.

Except for Australia and New Zealand, the other island countries receive large amounts of foreign aid virtually every year to pay their expenses. In 1986, south Pacific countries received aid funds totaling more than \$266 million. To varying degrees, foreign aid accounts for a substantial percentage of the budgets of each of the island countries. For example, subsidies from the United Kingdom and France are required to pay for one-third of Vanuatu's expenditures. In its 1984 budget revenues of \$49.46 million, foreign assistance (\$27.56 million) accounted for approximately 56 percent. In 1984, Papua New Guinea had \$1.94 billion in foreign debts equaling approximately 77 percent of total domestic output value. Annual repayment of interest on its debt amounts to 30 percent of revenues. To a very large extent the Solomon Islands' revenues are dependent on assistance from the United Kingdom and Australia. Tonga's 1984-1985 expenditures totaled approximately \$54.4 million, but domestic revenues amounted to approximately \$25.67 million yuan. Even the funds needed to meet administrative expenses and development costs had to be provided mostly from foreign assistance. In 1983, Tuvalu's budget was \$2.38 million, one-fourth of it from foreign aid. Kiribati has virtually no resources other than the production of fish, more than half of its national budget being subsidized by the United Kingdom. From 1962 through 1968, Western Samoa received approximately \$200 million in foreign aid, and in 1986, it received \$24.3 million in foreign aid amounting to 27 percent of its budgeted expenditures. The situation in other large country territories and affiliated countries may be imagined. For example, fairly mineral-rich New Caledonia had budget revenues of \$187.6 million in 1984, \$50.27 million, or 26.8 percent, of which was financial aid provided by France. The source of revenue for the French Wallis and Futuna Islands is overseas remittances and foreign aid. Niue is economically dependent on subsidies from the New Zealand government. Total government receipts for 1983 were \$83 million, 60.2 percent of which was a subsidy from the United States.

Faced with a straitened financial situation and tight money, most south Pacific countries regarded revenues from the exclusive economic zone fishing industry as a "gold mine." When they saw that Kiribati and Vanuatu received between \$1 million and \$2 million after signing the fishing accord with the USSR, (Kiribati receiving fishing fees of \$1.8 million, and Vanuatu receiving fishing fees and port utilization fees totaling \$2 million), some countries became interested and eager to try the

same thing. Reportedly Fiji also planned to conduct talks with the USSR on signing a fishing and timber agreement. In July 1986, Fiji decided to cancel its ban against Soviet tourist ships calling at Fiji. Regular calls of Soviet luxury liners at Fiji have brought Fiji appreciable foreign exchange earnings. The west German "Die Welt" carried a lively commentary on this that said, "When Moscow waves the ruble in greeting, this is a language that the remote south Pacific archipelagos, which are extremely deficient in mineral and other resources, can understand."

II

The south Pacific holds major strategic significance for the United States that is expressed in two ways as follows: 1) The south Pacific Australia-New Zealand-United States treaty is an auxiliary line of defense that complements the two main defense lines set up in the Pacific Ocean for the purpose of blocking Soviet expansion and contesting control of the seas with the USSR. These two defense lines are: the northern Pacific (meaning northeast Asia) running from Japan to South Korea to Okinawa and from Honolulu (Pearl Harbor) in the western Pacific to Wake Island, Guam, and Subic Bay in the Philippines. 2) This region is a secret zone in which the United States conducts nuclear tests. "In the northern Marianas and the Micronesian Federation, the Marshall Islands and the Republic of Palau along the northern edge of the south Pacific, the United States has build important naval and air bases, particularly in the Marshall Islands. These are major research and development centers for America's strategic nuclear weapons. Here the United States conducts rocket firings, missile tests, and research on strategic defense plans.

For these reasons, the United States cannot treat lightly or regard passively the Soviet Union's intensification of incursions into the south Pacific region. In recent years, the United States has actively counterattacked.

1. It has accelerated the pace in signing fishery agreements in order to ameliorate conflicts with the south Pacific island countries and to prevent more island countries from signing fishing agreements with the USSR.

After conflicts between the United States and the south Pacific island countries over the fishing issue were publicly revealed (marked by the Solomon Islands' seizure of an American fishing boat), the United States had no choice but to begin in September 1984 to discuss with south Pacific island countries the conclusion of a fishing agreement. nevertheless, progress continued to be fairly slow until August 1985 when the USSR seized the initiative in signing a fishing agreement with Kiribati. In particular, once the news got out about the Soviet Union's having signed yet another fishing agreement with Vanuatu, this finally impelled the United States to change its former negative, foot dragging attitude, and to catch up at once with the Soviet Union before it signed

its second fishing agreement in the south Pacific region (which was signed in December 1986 with Vanuatu). In November 1986, the United States reached a complete agreement on fishing with 16 island countries. According to this agreement, the United States recognized the south Pacific countries 200 nautical mile exclusive economic zone, and would pay \$60 million in fishing fees (\$12 million each year) to these countries (through the South Pacific Forum Fisheries Bureau) for the 5 year period 1987-1991. At the same time, the United States actively sought to win over Kiribati, which had signed a 1 year fishing agreement with the USSR, entering into talks with Kiribati in early 1986 about founding a two nation joint fishing industry company.

2. On the prohibition of nuclear testing, the United States did some posturing in an effort to allay dissatisfaction about nuclear tests on the part of the south Pacific island countries and avoid USSR capitalization on the issue.

In order to reverse the unfavorable situation into which it had sunk, and improve the bad image that resulted from having supported France in the south Pacific region, as well as to prevent the USSR from dwelling on this as part of the issue of opposition to nuclear testing, the United States and France combined with five south Pacific nations, including New Zealand, to sign in Noumea on 25 November 1986 a "pact for the protection of the south Pacific region's natural resources and environment," which prohibited the dumping of radioactive wastes and accumulated nuclear wastes within a 200 mile diameter of all islands in the south Pacific.

3. In conjunction with Japan and Australia, the United States strengthened ties with the south Pacific island countries, emphasizing the provision of economic assistance.

First, the United States itself emphasized close relations with the south Pacific region. Politically, close on the heels of the establishment of diplomatic relations between the USSR and Vanuatu in June 1986, the United States announced the establishment of diplomatic relations with that country in October of the same year, and in January 1987, it appointed its first ambassador to Vanuatu. In February 1987, it invited Vanuatu's Prime Minister Walter Lini to visit the United States. This was the first of not many such first visits since Fiji Prime Minister Kamisese Mara became the first leader of a south Pacific nation to visit the United States in November 1984. After many years of procrastination, in December 1985 the United States Congress passed the "Treaty of Free Association" that had been signed with the Micronesian Federation and the Marshall Islands. This was signed by President Reagan, finally completing domestic legal procedures for ending trusteeship.

Economically, in 1986 the United States abandoned the practice that it had always followed of not providing direct aid to south Pacific island countries, providing \$1.4 million in assistance to Fiji with whom its relations were quite good. In 1987, in addition to the originally stipulated aid funds, the United States provided \$5 million in additional economic assistance to the south Pacific island countries.

Militarily, the United States supplied military equipment to Fiji and Papua New Guinea in 1985. In 1986, the United States allocated \$210,000 from military assistance as education and training expenses for Fiji, Papua New Guinea, Tonga and the Solomon Islands.

Second, Japan and Australia intensified activities in the south Pacific region and the provision of economic aid. "So long as the two super powers are in confrontation, Japan and Australia as two members of the west also assume a posture of having to play an active role." Japanese opinion believes that "economic assistance can bring economic stability to the Asian Pacific region and raise the people's standard of living. The more this is so, the less opportunities for the USSR to exploit openings to enter the region." After the USSR signed the first fishing agreement in the south Pacific in October 1985, Japan increased economic assistance to south Pacific countries. In 1985, Japanese economic assistance to south Pacific countries totaled approximately \$2.4 million. By 1986, this had increased suddenly tenfold to \$24 million. In 1987, it stood at \$25.1 million. In January 1987, during a visit to the five countries of Australia, New Zealand, Fiji, Papua New Guinea and Vanuatu, Japanese Foreign Minister Kuranari generously opened Japan's purse strings to set up on behalf of the United Nations a special fund and energy development contributions totaling \$3 million as a present made on first meeting. Reportedly, in addition Japan also intends "to nearly double development assistance to the region" as part of this visit.

Spurred by economic assistance, Japan also intensified diplomatic activities in the south Pacific region. As early as the summer of 1986, the Ministry of Foreign Affairs took the opportunity to formulate a diplomatic strategy of paying serious attention to the south Pacific region. In January 1987, during Foreign Minister Kuranari's visit to the south Pacific, a new policy toward the south Pacific of "five principles" was proposed, and it was decided that the heads of the South Pacific Forum and secretaries of the South Pacific Economic Cooperation Board would be invited to visit Japan annually in order to "strengthen the exchange of ideas." The Japanese Ministry of Foreign Affairs also set up a South Pacific Working Group specifically responsible for South Pacific developmental work.

In addition, Japan prepared to strengthen coordination and cooperation with Australia and New Zealand with the goal of not only expanding western influence in the

south Pacific, but also to remedy the unfavorable consequences of the rupture in the Australia-New Zealand-United States treaty. The Japanese foreign minister has engaged in talks with the Australian foreign minister and the premier of New Zealand on these matters.

Australia is the country in the south Pacific with the greatest amount of territory, the most abundant resources, and the most strength. The area of the country is 90 percent of the total area of the south Pacific, and it accounts for approximately 73 percent of the south Pacific region's population. It has a thousand and one economic, political and cultural links with the other countries in the south Pacific. Between 1966 and 1975, it provided the south Pacific region with 1.241 billion Australian dollars worth of aid amounting to 43 percent of all economic assistance to the region. Despite ups and downs in its economy in recent years, it has not relinquished its leading position in providing foreign aid to the region, providing more than \$200 million in aid funds during 1986. Consequently, Australia enjoys exceptional advantages in being able to do things for other south Pacific island countries.

In recent years, Australia has done the following to block Soviet penetration:

A. Pressured France to compromise on the explosive New Caledonia independence issue and the nuclear testing issue in order to reduce conflicts, and to eliminate gaps and an atmosphere for Soviet intervention. Australia feared that unless these two issues were handled properly, they were bound to "provide fertile soil" for the USSR in the south Pacific. Consequently, Australia consistently openly opposed France's nuclear tests on Mururua Island in the south Pacific. As far back as the early 1970's, Prime Minister Whitlam was successful in bringing a charge against France in the international court at The Hague for carrying out nuclear tests in the atmosphere in the south Pacific. Australia also took part in the signing of the "South Pacific Nuclear Free Zone Treaty," which took effect not long ago (December 1986), and the three protocols prohibiting underground nuclear testing in the south Pacific. Australia has also supported the demand for freedom of the people of New Caledonia against France. In August 1986, Australia issued a joint request with south Pacific member states for New Caledonia's inclusion on the list of colonies and dependencies that should be independent maintained by the United Nations' non-colonial committee. In December 1986, that organization included New Caledonia on its published list. Nevertheless, Australia firmly opposed the intervention of external forces against a super power background in the New Caledonia independence issue.

B. Ironed out criticism and censure by some countries in the south Pacific toward visits by American warships and aircraft carrying nuclear materials. In 1975, the New Zealand Labour Party government proposed the establishment of a south Pacific nuclear-free zone. In the following year, as a result of Australia's influence, the

South Pacific Forum decided to revise the substance of "south Pacific nuclear-free zone" to allow American nuclear-powered ships to enter and exit the Pacific Ocean freely. In 1985 again, as a result of the arguments of Australia and other countries, provisions of the South Pacific Forum-approved "South Pacific Ocean Nuclear-Free Zone Treaty" allowed individual member countries themselves to determine their own policy with regard to visits by ships and aircraft carrying nuclear weapons. Australia also made some efforts to moderate friction between the United States and New Zealand about visits by nuclear ships.

C. Continued implementation of the Australia-New Zealand treaty, reaffirmation of its alliance with the United States, and the conduct of regular military exercises and discussions with the United States. In addition, Australia emphasized the importance of strengthening defense cooperation with New Zealand and surrounding neighboring countries, presenting a defense "white paper" for this purpose in March 1987.

III

Now that a rivalry between the United States and the USSR has begun in the south Pacific, what are the advantages and disadvantages, the gains and the losses for the two? What is the general trend? We can make the following several estimates:

A. The USSR has already obtained a foothold in the south Pacific, and it will continue to penetrate the south Pacific using the anti-nuclear slogan, and employing primarily economic and diplomatic techniques (such as the signing of fishing agreements); however, progress in expansion will be slow, and the scope will also be extremely limited. This is because of the following:

1. Most of the countries and regions of the south Pacific are politically, economically, and culturally close to the west and are deeply influenced by the west. Eight of the 24 countries and regions in the south Pacific are the territory of western countries; four maintain a free association with western countries (their foreign relations and national defense being in the hands of western countries); and one is a trusteeship of a western country. An overwhelming majority of the 11 independent countries receive foreign assistance from the west in one degree or another. Four of these have signed military treaties and 10 year treaties of friendship with the United States (Kiribati and Tuvalu). Eight have established diplomatic relations with the USSR, but have not yet allowed the USSR to set up embassies.

2. The USSR must concentrate its financial resources on accelerating the building of its domestic economy, and externally it carries the heavy burdens of Afghanistan and Vietnam. Consequently, its economic assistance to the south Pacific must be extremely limited. In comparison with Australia, Japan, New Zealand and the United States, the role and weight of its assistance funds will

pale into insignificance, and be of little importance. In 1986, economic assistance of these four countries to the south Pacific totaled \$266 million, but the fishing fees and anchorage fees that the USSR will have to pay will come to approximately \$2 million annually. So in all the south Pacific, ruble diplomacy is no match for dollar diplomacy; it can only beguile individual countries.

B. For a foreseeable period of time, the USSR's goals in establishing monitoring and observation posts (aimed at American military activities and facilities) in the south Pacific can be attained; however, the possibility that it can establish military bases is not great. This is because, the south Pacific countries will not agree to it, first of all. The greatest majority of them are small countries having weak defensive and economic strength. All the island countries, with the exception of Australia, New Zealand and Papua New Guinea, have no military forces and weapons worth the name; consequently, they all desire peace, stability and development, and they are extremely sensitive to and vigilant about large countries that are militarily covetous, and expansionist, or who test nuclear weapons. The south Pacific nuclear-free zone treaty reflects their desires in these regards. Furthermore, their goals will come up against vigorous obstruction by the United States and its allies.

C. Two of the three main factors benefiting Soviet penetration that result from America's being mired in passivity in the south Pacific are in process of being eliminated. These three factors are: 1) The plundering of tuna from around Pacific island countries by the United States; 2) the American trusteeship of Pacific Ocean islands; and 3) the rupture of the Australia-New Zealand-United States treaty. As of now, the first problem has been solved. The second problem has been substantially solved, and the possibility of moderating the third problem exists. For the United States, the Australia-New Zealand-United States treaty is the sole military alliance on which the United States can rely in the south Pacific, and New Zealand is also one of two western allies of the United States located in the south Pacific. Japan can play a role only economically and politically; however, it cannot take the place of New Zealand's special position; thus, the alliance cannot be blithely dissolved. For New Zealand, its national defense, purchases of military

equipment and foreign trade require maintenance of links with the United States and the United Kingdom. In addition, it is necessary to heed the reaction (advocacy of maintenance of the treaty) of the domestic party out of power (the Nationalist Party). Therefore, though New Zealand has passed the anti-nuclear act, it cannot get itself into an impasse. In March 1987, New Zealand Deputy Prime Minister Palmer said publicly during a visit to Japan that New Zealand "will make the utmost effort to prevent the Soviet Union from exploiting the frictions that have arisen between New Zealand and the United States."

With solution to the above problems and the moderation in United States-New Zealand relations, together with the close coordination between the United States and its Australian and Japanese allies, not only will America's position in the south Pacific change from passive to active, but it will also be strengthened.

D. Except for the adoption of flexible policies with regard to the New Caledonia independence issue, continuation of testing and development of nuclear weapons, and maintenance of its existence in the south Pacific region is France's firm strategy, which will not change. As a result, the anti-nuclear movement in south Pacific countries will continue to focus mainly on France's underground nuclear testing on Mururua. Soviet support for the south Pacific against nuclear testing will continue to produce some political pressure on the United States; however, it cannot have much practical effect on America's position and interests in the south Pacific.

In summary, Soviet penetration of the south Pacific is bound to occur. The south Pacific has become a place of rivalry between the United States and the USSR. In order to maintain their strategic position and strategic interests in the Pacific Ocean, the United States and its western allies will also spare no effort to limit to the minimum the extent, the role, and the influence of Soviet activities in the south Pacific. Except for opening individual monitoring posts in the south Pacific, the USSR will find it difficult to make greater advances in a short period of time.

Administrative Division Changes in 1987

OW141654 Beijing XINHUA Domestic Service in Chinese 0102 GMT 13 Mar 88

[Text] Beijing, 13 Mar (XINHUA)—The following changes were made in 1987 in the nation's administrative divisions at and above the county level:

Hebei Province

1. Shahe County was abolished. Shahe City (county level) was established.
2. The suburban district of Baoding City was abolished. Nandayuan, Jiaozhuang, and Yangzhuang townships of the former suburban district were incorporated into Nanshi District, Jinzhuang and Hanzhuang townships incorporated into Beishi District, and Hancun, Nanqi, Xiezhuang, and Fuchang townships incorporated into Xinshi District.

Liaoning Province

Jinxian County was abolished. Jinzhou District of Dalian City was established. The area formerly under the administration of Jinxian County was placed under the administration of Jinzhou District of Dalian City.

Jilin Province

1. The location of the Dongliao County people's government moved from Liaoyuan City to Baiquan Township, Dongliao County.
2. Taonan County was abolished. Taonan City (county level) was established.
3. Fuyu County was abolished. Fuyu City (county level) was established.

Heilongjiang Province

1. Tongjiang County was abolished. Tongjiang City (county level) was established.
2. Acheng County was abolished. Acheng City (county level) was established.
3. Jixian County of Jiamusi City was transferred to the jurisdiction of Shuangyashan City. Lingdong and Lingxi districts of Shuangyashan City were merged into one district, named Lingdong District. Luobei and Suibin counties were transferred to the jurisdiction of Hegang City.
4. Jingbohu City was abolished, and its administrative area was transferred to Ningan County.

Jiangsu Province

1. Jiangyin County was abolished. Jiangyin City (county level) was established.
2. Suqian County was abolished. Suqian City (county level) was established and placed directly under provincial administration.
3. Danyang County was abolished. Danyang City (county level) was established and placed directly under provincial administration.
4. Dongtai County was abolished. Dongtai City (county level) was established and placed directly under provincial administration.

5. Xinghua County was abolished. Xinghua City (county level) was established and placed directly under provincial administration.

6. Huaian County was abolished. Huaian City (county level) was established and placed directly under provincial administration.

7. Mashan District of Wuxi City was established. The administrative area of Mashan Town was put under the administration of Mashan District.

Zhejiang Province

1. Zhoushan Prefecture and Putuo and Dinghai counties were abolished. Zhoushan City (prefectural level) and Dinghai and Putuo districts were established. The people's government of this city is located in Dinghai District. Daishan and Shengsi counties, formerly belonging to Zhoushan Prefecture, were placed under the jurisdiction of Zhoushan City.
2. Ruian County was abolished. Ruian City (county level) was established.
3. Binhai District of Ningbo City was renamed Beicang District.
4. Xiaoshan County was abolished. Xiaoshan City (county level) was established.
5. Jiangshan County was abolished. Jiangshan City (county level) was established.

Anhui Province

1. Xuancheng County was abolished. Xuanzhou City (county level) was established.
2. Tongshan District of Tongling City was abolished. Its administrative area was incorporated into the suburban district of Dongling City.
3. Huizhou Prefecture, Tunxi City, and Huangshan City (county level) were abolished.
4. Huangshan City (prefectural level) was established. The city people's government is located in former Tunxi City.
5. Tunxi District of Huangshan City was established. Its administrative area covers the former Tunxi City, Huangdun Township of Shexian County, and Meilin Township of Xiuning County.
6. Huangshan District of Huangshan City was established. The administrative area of the former Huangshan City (county level) was placed under the administration of this district.
7. Huizhou District of Huangshan City was established. Its administrative area covers Yansi Town, Qiankou, Chengkan, Luotian, Xixinan, Qiashe, Fuxi, and Yangcun townships, and Yao Village of Zhengcun Township of Shexian County.
8. Huangshan City has four counties under its jurisdiction—Shexian, Xiuning, Yixian, and Qimen.
9. Shitai County was placed under the jurisdiction of Anqing Prefecture. Jingde and Jixi counties were placed under the jurisdiction of Xuancheng Prefecture.

Fujian Province

1. Fuli District was established in Xiamen City. The city's suburban district was renamed Jimei District.

2. Shishi City (county level) was established. Shishi, Yongning, and Hanjiang towns and Xiangzhi Township of Jinjiang County became the administrative area of Shishi City, which is directly under provincial jurisdiction.

Jiangxi Province

Linchuan County and Fuzhou City were abolished. Linchuan City (county level) was established, its administrative area covering the former administrative areas of Linchuan County and Fuzhou City. The people's government of the new city is located on Gandong Avenue in the former Fuzhou City.

Shandong Province

1. Jiaoxian County was abolished. Jiaozhou City (county level) was established.
2. Laiyang County was abolished. Laiyang City (county level) was established.
3. Zhucheng County was abolished. Zhucheng City (county level) was established.
4. Binxian County was abolished. Its administrative area was incorporated into Binzhou City.
5. Jinan City's suburban district and Licheng County were abolished. Licheng District was established, its administrative area covering Licheng County and three towns of the suburban district, namely Hongjialou, Huashan, and Wangsheren towns. Beiyuan Town of the suburban district was transferred to the jurisdiction of Tianqiao District, Qixian Town transferred to Shizhong District, Duandian and Wujiabao towns transferred to Huaiyin District, and Yaojia Town transferred to Lixia District.
6. Niuzhuang and Dongying districts of Dongying City were merged into one district, named Dongying District. The former administrative areas of Niuzhuang and Dongying districts became the new administrative area of Dongying District.
7. Weihai City was upgraded to a prefectural-level city, and a new district—Huancui District—was established in the city. Rongcheng, Wendeng, and Rushan counties of Yantai City were put under the jurisdiction of Weihai City.

Henan Province

1. Xinmi, Jinhai, and the suburban districts of Zhengzhou City were abolished. Mangshan District was established. The former administrative area of Xinmi District was transferred to the jurisdiction of Mixian County.
2. Puyang City's suburban district was abolished. Puyang County was reestablished. The administrative area of the former suburban district became the administrative area of Puyang County. The county people's government is located in Chengguan Town.

Hubei Province

1. Honghu County was abolished. Honghu City (county level) was established.
2. Tianmen County was abolished. Tianmen City (county level) was established.

3. Anlu County was abolished. Anlu City (county level) was established.

4. Guangji County was abolished. Wuxue City (county level) was established.

5. Yidu County was abolished. Zhicheng City (county level) was established.

6. Huangzhou District of Ezhou City was abolished. It was restored to the status of a town under county jurisdiction and now belongs to Huanggang County.

7. Liangzihu District of Ezhou City was established. The district covers Zhaoshan and Gongyou townships and Donggou, Taihe, Tujianau [XINHUA describes this as NAU QU WANG JIA TU PANG 3839 0637 3769 0502 0960 2460—FBIS], and Liangzi towns.

8. Huarong District of Ezhou City was established. The district covers Linjiang, Putuan, and Dawan townships and Miaoling, Hulin, Gedian, Huarong, and Duandian towns.

Hunan Province

1. Lianyuan County was abolished. Lianyuan City (county level) was established.
2. Miluo County was abolished. Miluo City (county level) was established.
3. Qiaotou District of Shaoyang City was abolished.
4. Jingxian County was abolished. Jingzhou Miao-Dong Autonomous County was established.

Guangdong Province

1. Guangzhou City's suburban district was renamed Baiyun District.
2. Fengjiang District of Foshan City was renamed Cheng District.
3. Hainan Li-Miao Autonomous Prefecture was abolished. Baoting and Qiongzong Li-Miao autonomous counties and Baisha, Lingshui, Changjiang, Ledong, and Dongfang Li autonomous counties were established. Sanya City was upgraded to a prefectural-level city.

Guangxi Zhuang Autonomous Region

1. Hepu County in Qinzhou Prefecture was placed under the jurisdiction of Beihai City.
2. Dahua Yao Autonomous County was established. Its administrative areas include Dahua, Liuye, Baima, Jiangnan, Duyang, Yalong, Qibainong, and Banjing townships in Duan Yao Autonomous County; the entire Banlan township and 17 villages of Dongshan, Fenghuang, and Qiangyu townships in Bama Yao Autonomous County; and 22 villages of Gudan (town), Gongzhou and Yongzhou townships of Mashan County. Dahua Town is the seat of the county people's government.
3. Fulong township of Duan Yao Autonomous County was placed under the jurisdiction of Yishan County.

Sichuan Province

1. Dukou City was renamed as Panzhihua City.
2. Aba Tibetan Autonomous Prefecture was renamed Aba Tibetan-Qiang Autonomous Prefecture.

3. Maowen Qiang Autonomous County was abolished, and Mao County was reestablished. The county's administrative areas remain those of the former Maowen Qiang Autonomous Region.

Guizhou Province

1. Tongren County was replaced by Tongren City (county level).

2. Xingyi County was replaced by Xingyi City (county level).

3. Shuicheng Special District was replaced by Liupan Shuishi Zhongshan District and Shuicheng County. The district's administrative areas include six towns—Shuicheng, Dahe, Wangjiazai, Dawan, Lao-yingshan, and Guangyinshan—and 13 townships—Chengguan, Jiaochang, Qilin, Dewu, Fenghuang, Baini, Yuezhao, Meichang, Yide, Yiqi, Nafu, Sanhe, and Ertang—of the former Shuicheng Special District; the remaining 98 townships are the administrative areas of Shuicheng County. Zhongshan District is the seat of the county people's government.

Yunnan Province

Lanping County was replaced by Lanping Bai-Pumi Autonomous County.

Tibet Autonomous Region

The seat of the Gar County People's Government was relocated from Gar New Village to Shiquanhe Town.

Gansu Province

Dunhuang County was replaced by Dunhuang City (county level).

Ningxia Hui Autonomous Region

1. Shizuishan Suburb was abolished to reestablish Hui-nong [1920 6593] County. Majiawan is the seat of the county people's government.

2. The seat of Qingtongxia City is relocated from Xiaoba Town to Lixin Township.

Xinjiang Uygur Autonomous Region

Dongshan District was established in Urumqi City. The district's administrative areas include Lucaogou Township of Urumqi County and the site of the Qiaziwan Office of Shuimogou District of Urumqi City.

PROVINCIAL

Shandong: Jiang Chunyun's Government Work Report

SK150130 Jinan DAZHONG RIBAO in Chinese 10 Feb 88 pp 1-3

[Government work report given by Jiang Chunyun, acting governor of Shandong Province, at the first session of the Seventh Shandong Provincial People's Congress on 25 January]

[Text] Fellow deputies:

Entrusted by the provincial People's Government, I now deliver a government work report to review and sum up the government work and to offer suggestions for the next term of government for discussion at this session.

1. A Review of the Basic Situation of Our Province's National Economic and Social Development of the Past 5 Years

This term of government was elected in 1983 at the first session of the sixth provincial People's Government. During the past 5 years, under the leadership of the party Central Committee, the State Council, and the provincial party committee, based on the work of the previous government, and in line with various resolutions of the sixth provincial People's Congress and its Standing Committee, we focused our work on economic construction, persisted in the four cardinal principles, reform, and opening up, deeply conducted the campaign on increasing production, practicing economy, increasing revenues, and reducing expenditures, and relied on the people's efforts to comprehensively fulfil the Sixth 5-Year Plan, and the first 2 years of tasks of the Seventh 5-Year Plan. The province's united and stable political situation was further consolidated and the building of socialist material and spiritual civilizations was successfully carried out. The province's 1987 GNP is expected to reach 62.68 billion yuan; national income, 55 billion yuan; and the total industrial and agricultural output value, 116.2 billion yuan, showing an increase of 104 percent, 103 percent, and 120 percent respectively over 1980, and achieving the first quadrupling of industrial and agricultural output value 3 years ahead of schedule.

During the 5 years from 1983 to 1987, our province witnessed a comprehensive development in national economy and in all social undertakings. Industrial production increased constantly and steadily, and economic strength intensified remarkably. The GNP increased by 75.4 percent, the national income increased by 73.8 percent, and the total industrial and agricultural output value increased by 95.8 percent over that of 5 years ago. New changes of historical significance took place in the province's economic and social lives.

Agricultural production increased remarkably, making a gratifying step in changing the self-sufficient and semi-self-sufficient agricultural economy to the commodity agricultural economy. The total agricultural output value in 1987 is expected to reach 29.2 billion yuan, an increase of 49.3 percent over 1982; total grain output, 33.126 million tons, an increase of 748,000 tons; and the output of fruits, 2.35 billion kg, an increase of 790 million kg. The total number of draft animals in stock will reach 5.2 million, an increase of 1.56 million; and the output of aquatic products will reach 1.1 million tons, an increase of 440,000 tons. During the past 5 years, we produced a total of 43.625 million tons of marketable grain, 5.836 million tons of marketable cotton, 5.817 million tons of marketable oil, 5.342 million tons of marketable meat, and some flue-cured tobacco, silk cocoons, fruits, and aquatic products of average quality. The constant and steady agricultural growth provided effective guarantee for developing the whole national economy and improving the people's livelihood.

Industrial production increased constantly and steadily and economic results increased remarkably.) The total industrial output value in 1987 is expected to reach 87 billion yuan, an increase of 120 percent over 1982. Of this, the output of raw coal and crude oil, power generation, cement, and some major products showed an increase ranging from 22.5 percent to 115 percent; that of textile, light, and electronics industries increased 69.8 percent, 81.1 percent, and 320 percent respectively. In 1987, the total output value of the province's budgetary state industrial enterprises rose by 16.8 percent over the previous year. Their sales income increased by 22.8 percent and their profits and taxes increased by 16.6 percent. About 36.8 percent of these enterprises ended deficits. The circulation of funds was accelerated by 3.6 days; and the rate of steadily raising the quality of major products rose from 66.8 percent in the previous year to 82.8 percent. The province's financial revenues are expected to reach 7.276 billion yuan, thus succeeding in achieving a balance between revenue and expenditure during the year. If calculated in terms of comparable standards, the increase was 79.3 percent over 1982.

The momentum for economic development intensified unceasingly. During the past 5 years, we added an installed power capacity of 1.66 million kilowatt, and increased 422.4 km of railway mileage, more than 2,000 km of road traffic mileage, 22.13 million tons of port handling capacity, and 130,000 of automatic telephone lines in urban areas. During the past 5 years, the province invested 10.6 billion yuan in technological transformation and completed 10,400 technological transformation projects. Calculated in terms of the planned capacity, these projects may add an output value of 21.2 billion yuan and 4.5 billion yuan of profits and taxes.

The proportions between major economic branches became more rational. In the past 5 years, thanks to the constant readjustment of the economic structure, the

proportions and relations among the primary, secondary, and tertiary industries and among various undertakings were further improved. The proportion of forestry, animal husbandry, sideline production, and fishery in the total agricultural output value rose from 22.9 percent to 26.5 percent. The ratio between light and heavy industries was 54 to 46. The proportion of the tertiary industry in the GNP rose from 17.8 percent to 20.9 percent. The rural industry emerged as a new force, and developed rapidly. The total output value of the rural industry exceeded 30 billion yuan, registering a 390-percent increase, with its proportion in the total provincial industrial output value rising from 15.5 percent to 34.5 percent. The changes in these proportions enabled the national economy to embark on the path of more or less coordinated development.

The economy with diverse forms of ownership, with public ownership remaining predominant, developed comprehensively. Over the past 5 years, the whole people-owned economy was consolidated and strengthened, and the collective and individual sectors of the economy developed greatly. In the total industrial output value, the proportion of the collective economy rose from 26.3 percent to 31.2 percent, and that of the individual economy rose from 0.5 percent to 2.3 percent. In the total volume of retail sales, the proportion of the collective economy rose from 15.6 percent to 22.2 percent, and that of the individual economy rose from 4.3 percent to 16.1 percent. The number of individual industrial and commercial households rose from 326,000 to 1.02 million. Private enterprises grew from nothing to 3,751 in number. In economic construction, there was a new situation in which the state, collective, and individual sectors developed simultaneously.

The economy in the province's east and west areas developed greatly. The economic and technological level of the east area was raised further. The total industrial and agricultural output value of Qingdao, Yantai, Jinan, and Weifang cities respectively exceeded 10 billion yuan one after another, and 18 counties (cities) had their total industrial and agricultural output value exceed 1 billion yuan. The west area accelerated its pace of development, and began to exploit its superiority in natural resources. The northwest area of the province built itself into the province's major production bases of grain, cotton, livestock, and forestry. In this area, the agricultural by-product processing industry was on the upgrade. In addition, this area began to ship its grain to other areas, instead of bringing in grain from other places in the past. During the 20 years or so before the 3d plenary session of the 11th party Central Committee, this area brought in a total of 9.4 billion kg of grain; while in the recent 9 years, it shipped out 9.99 billion kg of grain. Meanwhile, big changes took place in the outlook of islands, lake areas, and the Yimeng mountain areas. Great achievements were scored in the work of supporting the poor. Lateral associations and counterpart supports were established between the east and west areas, thus forming a gratifying phenomenon of mutual promotion and common development.

The scale of market regulation was expanded continuously. In the fields of production, distribution, and circulation, the portion of products covered by the state mandatory planning was reduced, and the portion of products covered by the guidance planning and market regulation increased. The number of industrial products covered by the provincial mandatory planning dropped from 129 to 41; the number of goods and materials subject to the unified distribution dropped from 256 to 20; the number of commodities covered by the commercial planning dropped from 64 to 23; and the number of commodities subject to the provincial unified pricing dropped from 1,092 to 490. Agricultural by-product markets, and industrial consumer goods markets were expanded further. Production means markets, technological markets, and the short-term money markets were somewhat developed. Labor service markets and real estate markets began to emerge. The urban and rural markets were thriving. The 1987 total provincial volume of retail sales was estimated at 36.99 billion yuan, a 102-percent increase over 1982. The number of rural markets developed from 4,073 to 5,737, with their transaction volume increasing from 2.77 billion yuan to 7.98 billion yuan. The commodity circulation channels increased, while the circulation links were reduced. In addition, the law of value played an increasingly great role in regulating the relations between supply and demand.

The national economy rapidly changed from the closed and semiclosed pattern to an open pattern. Over the past 5 years, the province made new progress in opening itself to the rest of our country and to the world. The province has now established three coastal open cities, two economic and technological development zones, and six open harbors. Meanwhile, the province has established friendly ties with 59 foreign countries, and conducted economic and trade contacts with more than 150 foreign countries and regions. Over the past 5 years, the sum covered by the contracts on utilization of foreign capital amounted to \$2.55 billion, of which, \$1.95 billion was already used. Meanwhile, the province initiated 126 Chinese-foreign joint venture and cooperative enterprises. In 1987, the province earned \$2.97 billion in foreign exchange through export, a 79.1-percent increase over 1982. In addition, 20 counties (cities) had topped 100 million yuan in the volume of commodities procured for export. The lateral economic associations between different provinces, different regions, and different enterprises became brisk day by day. Over the past few years, the province signed contracts on more than 5,000 cooperative items, imported more than 500 million yuan of capital, and exchanged more than 20,000 talents annually. Thus far, the province has established 90 enterprise groups and associations.

Various social undertakings achieved new development. The undertakings of science and technology, education, literature, art, journalism, publication, archives, public health, physical culture and sports, radio and television broadcasting, Overseas Chinese affairs, tourism, affairs

concerning old folks, nursery, and of social welfare have become increasingly prosperous. Over the past 5 years, the province has scored 6,032 results in scientific and technological research. Of these results, 255 items have reached the world standard and 80 percent of them have been popularized in varying degrees. The province has produced 243,000 graduates of higher educational institutions and secondary specialized schools and trained more than 5 million staff members and workers. The province has basically completed improving the buildings of rural middle and elementary schools and 90 percent of these improved buildings have reached the standard of "installing associated facilities in six aspects." The province has added 26,000 new hospital beds and set up 21,000 new patient beds in households. During the sixth national sports games, the strong sportsmen of our province took fifth-place honors and realized the fighting target of "achieving marked results within 4 years."

The people's material and cultural lives were markedly improved. Over the past 5 years, the province has made job arrangements for more than 1.2 million urban jobless people. The per-capita living income in urban areas increased from 489.2 yuan in 1982 to 930 yuan in 1987, showing a 47.4 percent increase by excluding the 48:3 #8(3 !:-594. The per-peasant net income increased from 304 yuan in 1982 to 495 yuan in 1987, showing a 39 percent increase by excluding the price hike factor. The deposit volume of both urban and rural people has shown a 3.3-fold increase over the past 5 years. The per-capita housing acreage in urban areas has shown a 2.9 square meter increase and that in rural areas has shown a 5 square meter increase. The problem encountered by the overwhelming majority of people with regard to dressing warmly and eating one's fill has been dealt with and a number of the masses have become wealthy or better off. Both urban and rural areas have whipped up an upsurge in studying the knowledge of science and culture and the people's cultural life has become increasingly rich and colorful.

The program of building the socialist civilization also achieved rich results. Over the past 5 years, the province has properly dealt with the problems left over from history, straightened out the relationship among various social circles, and enhanced the unity from top to bottom and among various regions and units by continuously bringing order out of chaos, negating the "cultural revolution" and factionalism, and implementing the party's policies. The 49:8;3 #-)9 scored marked results in conducting education on upholding the four cardinal principles, on ideals, disciplines, democracy, and the legal systems, and on professional ethics; and in carrying out the campaign of building civilized units and the army-civilian joint campaign in this regard. The province has brought about a turn for the better in social order and morale by dealing strict blows to criminal activities and economic crimes and consolidating public security in a comprehensive way. All of these have

created an excellent social and political climate for the smooth progress in conducting reforms, opening to the outside world, and carrying out economic construction.

All in all, the past 5 years have been a period in which the people of various nationalities throughout the province have continuously emancipated minds, renewed their concept, been keen in making progress, and have united as one in the struggle under the guidance of the party's principles and policies; in which the drive to conduct reforms and to open to the outside world has steadily achieved development in both depth and height; and in which the vitality of economic construction and social undertakings has become most prosperous and the people have enjoyed the benefits thereof. The broad masses of fighters and commanders among the PLA units and the armed police forces have made tremendous contributions to protecting national defense, maintaining social peace, and supporting the local program of building the four modernizations. Compatriots from Hong Kong, Macao, and Taiwan; Overseas Chinese; and foreign friends and personages have also shown enthusiastic concern or given support to the province's program of economic construction. I, on behalf of the provincial People's Government, would hereby like to extend lofty respect to the comrades, compatriots, and friends who have made contributions to building the four modernizations in the province.

Fellow deputies: Although our province has scored marked achievements in economic construction and various undertakings it still has a large number of difficulties and problems. The backwardness in science, technology, and management and the shortage of intelligence resources are still the major conditional factors of economic development. The unreasonable structure of production, products, and enterprise organizations still affects the task of bringing into play the strong point and of increasing economic results. The contradiction between general demand and supply has not been fundamentally relieved and some unstable factors still exist in the economic life. Although the absolute value of the province's GNP, national income, and total industrial and agricultural output value has ranked the province second in the country, the per-capita amount of the province still is at the middle level. Compared with the advanced provinces and municipalities, we still lag far behind. We must have a sober understanding on this.

Agriculture, which is the foundation, was not stable and lacked vitality. The state increased its input into agriculture in the past few years. Last year the investment allocated from the provincial finance in agricultural production totaled 260 million yuan, a 15.5 percent increase over the preceding year; and the investment allocated from bank credits in agriculture totaled 2.95 billion yuan, an increase of 62 percent. However, because of the decline in the investment made by the state, the locality, and the peasants in farmland irrigation projects in the previous years, irrigation facilities in many localities were out of repair. Contradictions

between the supply and demand of chemical fertilizer, pesticides, plastic sheets, and diesel oil were rather serious. In many areas, the peasants were dissatisfied with the "three links" policy as it was not successfully implemented. The development of the rural economy was uneven, one peasants in some localities still had great difficulties in production and livelihood, and the problem in supplying drinking water to the people and animals in some localities was not solved.

Some weak links and unfavorable factors existed in industrial production. This was mainly because of the falling-behind of the basic industries and the infrastructural facilities, the strained supply of energy resources, electricity in particular, a lack of some raw materials, fresh water resources, and funds, and incompatible transportation and telecommunications facilities. In many enterprises, the management was poor, technology and equipment were outdated, product quality was low, material consumption was high, productivity was low, and economic results were not good enough.

Market prices were not stable enough. Last year the province's retail price index rose by 8 percent. In particular, the prices of some major nonstaple foods, such as meat and eggs, and some means of production rose substantially, which aroused misgivings among the masses. It should be pointed out that the rigid price and management systems, that had taken shape for a long time, seriously affected the development of production, and it was necessary to conduct reforms. In the new situation in which the commodity economy was greatly developed, certain fluctuations in prices were normal due to changes in the relationship between supply and demand, and it was reasonable to widen the price differential of the commodities of different quality, seasons, and localities. In the past few years, the state readjusted and deregulated the prices of some commodities in a planned planner. This effectively promoted production, and made the market more thriving. Meanwhile, the living standard of most people was improved thanks to broadened employment, and rises in wages, bonuses, and subsidies. Just as the masses put it, prices indeed rose, but production was developed, commodities were enriched, and the living standard was improved, and it was better to deregulate prices to enliven the market. Of course, bringing the price system into better balance is a process of gradual advancement, in which we should consider the needs in developing production, and the capacity of the state, the enterprises, and the masses. The major reason for the large fluctuations of market prices after last year was the precipitous rises in unplanned fixed asset investment and consumption funds. In the meantime, there were indeed some units and individuals who took advantage of price deregulation and economic invigoration to arbitrarily force prices up or to raise prices in a disguised form, there were some monopolized trades and enterprises which jacked prices up, and there were a small number of unlawful elements who were engaged in profiteering and

speculation to seek exorbitant profits, and even manufacture and sell fake and shoddy goods to entrap consumers. A failure of the governments at various levels in strictly controlling prices and effectively dealing blows to unlawful acts was also the reason. We should learn from this and resolutely correct it.

Arable land decreased, and environmental pollution and unplanned births were not controlled effectively. Through the implementation of the "land management law," initial results were achieved in land management. However, there were still many localities and units which arbitrarily occupied and misused arable land. At present, the per-capita arable land of the province has declined from 1.44 mu in 1982 to 1.32 mu. Through implementation of a series of rules and regulations, certain results were achieved in environmental protection. However, we still failed to effectively control and promptly eliminate the pollution created by waste water and gas, and industrial residue in many areas, thus damaging the ecological environment and natural resources, and affecting economic development and the people's health. In the past 5 years, family planning workers in our province carried out a great amount of work, and made contributions to controlling population growth. In the past 2 years, however, because of the baby boom, the adjustment of the birth policy, and our failure to catch up in our work, a small number of localities and units failed to effectively control unplanned births, and even relaxed their control or adopted a laissez-faire attitude. As a result, the province's population growth was fairly great. We should pay great attention to these problems.

A review of the past 5 years of work showed that we had many successful experiences and many lessons worthy of assimilation. We deeply realized that the key to creating a new situation in our province's economic construction depended on our efforts to closely integrate the party's line, principles, and policies with Shandong's reality, and to conduct our work creatively. After summing up our province's experience in economic construction during the past 5 years in line with the spirit of the 13th party congress, we discovered the following few points:

A. It is necessary to persist in focusing our work on economic construction and to consider the development of productive forces as the point of departure for considering all problems and as the fundamental criterion for testing all work. At present, we are in the initial stage of socialism. The main contradiction is between the people's daily increasing material and cultural demands and the backward social production. To fundamentally solve this contradiction, we must consider the development of productive forces as the focus of all our work. Before the 3d plenary session of the 11th party Central Committee, due to the long-term leftist influence and to the fact that some people criticized the development of productive forces as capitalism, the national economy developed very slowly. This lesson was very profound. After the 3d plenary session of the 11th party Central Committee, we have discarded the practice of "taking

class struggle as the key link," shifted the work emphasis to economic construction, boldly grasped production and promoted the development of productive forces. The annual output value created by each agricultural worker throughout the province rose from 566.8 yuan to 930 yuan. More than 5 million agricultural workers turned to nonagricultural undertakings. The per-capita labor productivity in the industrial sector rose from 13,400 yuan to 18,700 yuan. Viewing from the general situation, our province's level of productive forces is still very low. There are many factors shackling the development of our productive forces. Our leaders still fail to consciously consider the development of productive forces as the fundamental criterion for testing all work. In the future, while appraising the work performance of one district, department, and unit and the work achievements of each leader and judging their merits and demerits, the fundamental way we must adopt is to see whether they have developed the productive forces and have made contributions to developing the productive forces. We must consider the development of productive forces as the point of departure and the final point for all work, unite with the ideology and understanding of the higher and lower levels and of all quarters, and concentrate efforts on developing productive forces.

B. It is necessary to unswervingly deepen reform in order to develop productive forces. The ossified economic structure and outdated pattern formed a long time ago have seriously shackled the development of productive forces. After the 3d plenary session of the 11th party Central Committee, we have implemented the family-based output related contract responsibility system in the rural areas earlier than other localities, and conducted a series of reforms to invigorate enterprises in the city in an effort to liberate and develop the productive forces. The deepening of reform determines the degree of development of the productive forces. Localities and units that did a good job in reform had great economic vitality, rapid progress, and good economic results. The various forms of the contract economic responsibility systems created by the masses of people in the course of reform are compatible with the current level of productive forces. All places, whether they are in the rural areas or in cities, will achieve quick results if they implement the contract responsibility system, and will enjoy benefits earlier if they implement this system earlier. Otherwise, they will be in a passive position. The current problems are that the progress of our province's second step of reform is not rapid enough; the contract responsibility systems among enterprises are not perfect; competition is not universally introduced; egalitarianism in distribution and the practice of "eating from a big pot" are comparatively serious in some localities; the whole range of reforms are just starting; the development of markets is imperfect; and the new macroeconomic regulatory and control systems are not formed. The ideology and understanding of our leaders lag behind the objective reality of reform and opening up in many aspects. They worked steadily but failed to fully open up

new paths. These are important reasons for our province's lagging behind other advanced provinces and cities in reform and opening up. In the future, we should act in line with the spirit of the 13th party congress, clearly understand that reform is an impetus for promoting all fields of work during the initial stage of socialism, and unswervingly accelerate and deepen reform.

C. In order to accelerate and deepen reform, it is necessary to emancipate our minds and renew our ideas. Ideas are the precursor of action. In a certain sense, the emancipation of the mind and renewal of ideas decide the range and quality of reform and opening up. Outdated traditional concepts and "leftist" ideas have long fettered the people's minds to a serious extent, and have been the greatest obstacles to reform and opening up. Since the 3d plenary session of the 11th party Central Committee, our cadres at various levels and the masses have continuously renewed their ideas thanks to the guidance of the ideological line of seeking truth from facts. They have greatly changed the ideas of "large in size and collective in nature;" of seeking absolute perfection; of monopolized purchases and guaranteed marketing, and unified allocation and collection; of egalitarianism and the "same big pot;" and of regional blockade and closing one's door to external contact, and have notably enhanced the ideas of reform and opening up, of the commodity economy, of market regulation and the law of value, of the simultaneous development of the various sectors of the economy, and of more pay for more work, and achieving affluence through diligent labor. However, there are still many problems in our understanding of reform and opening up, and the obstacles are great, coming from both the "left" and the right, with the ossified and outdated ideas, and "leftist" long-standing practice, which fetter the minds of some comrades, as the major one. Some people are satisfied with small wealth and afraid of taking risks, follow rules docilely, and hesitate to move forward. They often frown upon, find fault with, reproach, and criticize the new things emerging in reform. If such a state of mind is left unchanged, it will be very difficult for us to make a big stride in reform and opening up. To accelerate and deepen reform and open the province wider to the outside world, we should further emancipate our minds, broaden our field of vision, and achieve a new leap in renewing our ideas.

D. In order to revitalize Shandong's economy, it is necessary to exert great efforts to improve the quality of laborers. The development of productive forces and the progress of society, in the final analysis, are decided by the improvement in the people's ideological, moral, scientific, and cultural levels. Over the past 5 years, we have conducted multifaceted ideological education, and the activities to popularize scientific and cultural knowledge, and have achieved notable results. The number of people with various levels of education in every 100,000 persons increased from 57,700 in 1982 to 63,100 in 1987, a growth of 9.3 percent; the number of those with university education increased from 353 to 519, a

growth of 47 percent; and the number of illiterate and semi-illiterate persons in the total population declined from 28 to 23.2 percent. Improvement in the quality of laborers has played a positive role in economic and social development. Generally speaking, however, the present quality of the laborers of our province is still very incompatible with the needs of socialist modernization. The number of persons with university education in every 100,000 persons is 363 fewer than the national average, and that of persons with senior middle school education is 669 fewer. In industrial enterprises, the number of engineering and technical personnel amounts to only 2.28 percent of the total number of staff members and workers. In township enterprises, personnel with college or university education account for only 4 per 10 thousand. Exerting great efforts to train personnel and accelerate the development of intellectual resources is particularly important to our province, and a very urgent task for us.) Our province now has more than 1 million state cadres, more than 6 million staff members and workers, more than 8 million township enterprise employees, and some dozen million rural educated youths. If rotational training is held for every one of them through several years of efforts to make their ideological and moral levels, and scientific and cultural knowledge meet the needs of their work posts, the economic results and social benefit that can be created would be immeasurable. We should have a strategic view on this, and be willing to spend money and exert efforts. If we pay attention to this earlier, results will be yielded earlier, and if we exert greater efforts, greater results will be created. Otherwise, the process to enrich the people and develop Shandong will be delayed.

E. It is imperative that the building of leading bodies be vigorously enhanced to meet the demand of new situations and tasks. Over the past few years, in line with the "four requirements" of cadres, governments at all levels have enhanced their self-improvement. The structure of knowledge and age among the staffers of leading bodies has become increasingly reasonable. They have continuously upgraded their consciousness in implementing the party's line, principles, and policies and have enhanced their capability to organize or guide the commodity economy. However, the new situation and tasks have set forth a higher demand on leading bodies at all levels, and many of our comrades still cannot meet the demand in ideology, knowledge, and capability. Major indicators in this regard are: their starting point in work is low; they do not have an extensive, profound, and far-reaching understanding of the strategy; they have less, shallow, and slow understanding of the conditions at the lower level; and they have a lower standard in making policy decisions and low capability in managing the economic situation as a whole. A bureaucratic work style, such as shifting responsibility onto others, disputing over trifles, not being responsible for work, and having low work efficiency still exists among governmental organs. Experience has shown that to assume the heavy task of organizing or directing economic construction, governments at all levels must enhance the building

of ideology, organizations, and work style and must effectively upgrade the quality of leading personnel. All leading staff members should have a fine mental attitude; should master scientific work methods; should be good at implementing the party's line, principles, and policies by proceeding from reality; should be good at studying new knowledge and accepting new things; and should be good at developing democracy, linking up with the masses, pooling the wisdom of the masses, and extensively learning from the strong points of others. Only by so doing can we exercise correct leadership and create a new situation in various tasks.

Over the past 5 years, personages in various social circles throughout the province and the broad masses of cadres and people have not only acknowledged the work achievements scored by governments at all levels but also offered much goodwill criticism against the existing shortcomings through various ways and means. All of this represents their support and concern for governmental work. On behalf of the provincial People's Government, I would hereby like to extend heartfelt thanks for your concern and support.

2. The Basic Planning for the Second Doubling of Economic Construction in the Province and Major Tasks for the Upcoming 5 Years

The 13th CPC Congress has put forward that our country's strategy of economic construction will be generally carried out in the following three steps: The first step is to double 1980's GNP in order to deal with the people's problem of eating to their fill and dressing warmly. The second step is to double the GNP a second time by the end of this century and to improve the people's livelihood to a better-off level. The third step is to have the per capita GNP reach the standard of developing countries by the middle of the next century, to have the people's livelihood become relatively rich, and to realize basic modernization. At present, our province has only fulfilled the first-step tasks of economic construction. Henceforth, we should concentrate our efforts on successfully fulfilling the second-step tasks in order to place Shandong Province in the front ranks of economic and social development in the country and to have the province make still greater contributions to building the four modernizations.

In line with the three-step strategy for economic construction set forth by the 13th CPC Congress and proceeding from the province's reality, our province plans to fulfill the target of the second doubling of economic construction in 1995 through making all-out efforts. By that time, our province's GNP will reach 122 billion yuan, with an average annual increase of 8.2 percent. Its national income will reach 104.08 billion yuan, with an average annual increase of 8.3 percent. Its total industrial and agricultural output value will reach 241 billion yuan, with an average annual increase of 9.5 percent. Of this increase, that of agricultural output value will reach 39.3 billion yuan, with an average annual increase of 3.8

percent; and that of total industrial output value will reach 201.7 billion yuan, with an average annual increase of 11 percent. By fulfilling the target of the second doubling of economic construction, the province will bring about a series of new and important changes to the economy and social life.

Agriculture's foundation role will be further consolidated, its vitality will be further strengthened, and agricultural production will embark on a new stage. Total grain output will reach 37.5 million tons; cotton output, 1.5 million tons; and peanut output, 2.5 million tons. Production of major agricultural and sideline products will satisfy to a greater extent the people's demand in livelihood and the demand of agricultural production and foreign trade. The internal agricultural structure will be further improved; and the proportion of forestry, animal husbandry, sideline production, and fishery in the total agricultural output value will rise to at least 30 percent.

The major technological installations of the existing industrial enterprises will be basically upgraded, and product quality and economic efficiency will be improved remarkably. In the next 8 years, the input in technological transformation will amount to 30 billion yuan, which will add 60 billion yuan in output value and 15 billion yuan in profits and taxes.

The tension on energy, transportation, and raw materials will be basically relieved; and the momentum for economic development will be greatly strengthened. The 66 large and medium-sized projects covered by the Seventh 5-Year Plan will all be completed and commissioned, which will bring the province approximately 19 billion yuan in newly added output value. During the Eighth 5-Year Plan period, a number of new projects will be built; and the construction of the Shengli oilfield, the Zhongyuan oilfield, the Yanzhou coalfield, and the Zaozeng coalfield will be accelerated. The installed capacity of generating units will increase from the present 5.55 million kilowatts to 12 million kilowatts; and the annual electricity volume will increase from 33 billion kilowatt-hours to 80 billion kilowatt-hours, which will basically satisfy the demands in production, construction, and the people's livelihood. A comprehensive transportation system embracing railways, highways, airliners, vessels, and pipelines will be basically established. The supply of steel, iron, soda ash, plastics, and other major raw materials will be improved remarkably.

The pattern of an export-oriented economy will be basically set up. Shandong peninsula will be comprehensively opened to the outside world, and both the foreign exchange from export and the utilization of foreign capital will be doubled and redoubled.

The tertiary industry will develop greatly. The proportion of tertiary industry's output value in the GNP will rise from the current 20.9 percent to 27 percent. Urban and rural markets will become more thriving, and the

conditions for serving the primary and secondary industries and for serving the people's livelihood will be improved remarkably. The ranks of scientists and technicians will increase from the present 830,000 people to 1.3 million people. The 9-year compulsory education will be made universal, and the student body of regular higher schools will increase from the present 96,000 to 150,000 people.

The people's livelihood will begin to become relatively well-off. The province's per capita GNP will increase from the current 795 yuan to 1,400 yuan; and the per capita consumption fund will be 850 yuan. The urban and rural people's clothing, eating, housing, transport, medical, and social security conditions will be improved greatly, and the people's living quality will be raised remarkably. Peasants who are now poor will extricate themselves from poverty, and the problem of supplying drinking water for people and domestic animals will be basically solved.

Conditions exist and it is completely possible for us to attain these plans for economic and social development. The in-depth implementation of the guidelines of the 13th party congress and the constant deepening of reform will greatly stimulate the people's initiative and creativity. The prefulfillment of the goal of the first doubling has laid a relatively solid material and technological foundation for future development and has accumulated valuable experiences for the future development. Our province is rich in above-ground and underground natural resources, and its economic development is in the process of changing from exploiting natural resources to developing the processing industry. The province has a great deal of natural resources waiting to be exploited and has a great potential to add value through processing. The good trend of economic development will last for a considerably long time. By analyzing the exploitation of the various favorable natural resources and the potential for processing, a number of trades will develop rapidly in the province in the next 8 years.

It is estimated that in the next 8 years, the total output value of animal husbandry and the aquatic products industry will increase at an average annual rate of 10 percent. By 1995 the total output value will reach 11 billion yuan, an increase of 5 billion yuan over the present figure, or accounting for 50 percent of the newly added agricultural output value.

On the premise of raising economic results, the growth rate of the rural industry should be maintained at 20 percent or more and should quadruple the present figure by 1995 to reach 120 billion yuan.

In the iron and steel industry: It is expected that the output of steel and steel products will increase by 100 percent within 8 years.

In the petroleum and petrochemical industries: By 1995 the province's crude oil output may reach 50 million tons or so. The completion and operation of the 300,000-ton ethylene project and its subsidiary projects will stimulate big progress in the light and textile industries.

The salt and salt chemical industries will become our province's new pillar industries. Construction will begin soon on two approved saltworks with an annual capacity of 1 million tons of salt. The Weifang soda ash plant will be completed and commissioned next year. The completion of this plant will add a soda ash production capacity of 600,000 tons.

In the building industry: In the next few years, our cement production will continue to occupy a leading place in the country and our new building materials, plate glass, and sanitary earthenwares for the building industry will also be greatly developed. By 1995 the annual output value of the building industry will reach 16 billion yuan, showing an increase of 100 percent or so over the present figure.

In the machinery industry: In the next 8 years, we will greatly develop agricultural machinery products, machinery for processing farm and sideline products, vehicles, machine tools, power generation facilities, electric machinery, and electronic products; increase the proportion of products produced by the machinery, electronics, and instrument industries; and remarkably improve the quality and properties of various products.

In the textile industry: We will greatly increase the output of cotton textiles, woolen textiles, and chemical fiber fabrics. By 1995 the total annual output value of the textile industry will reach 20 billion yuan, doubling the present figure.

In the food industry: We will strive to meet the consumption needs of all levels. The total output value of the food industry will reach 25 billion yuan or so, an increase of 150 percent over the present figure.

These targets are set for the whole province. Because of different situations in different places, we should pay attention to local conditions and formulate our own development targets and measures in a fact-seeking manner. By no means should we vie with each other in increasing the rate or seek "uniformity."

While discussing these economic development plans, we have paid attention to the possibility of fulfilling them, fully estimated the arduousness of the tasks and the difficulties in our advance, and clearly analyzed the gaps between our province and the coastal fraternal provinces and cities and the challenge lying ahead of us. To this end, we should prepare to promote strong points, avoid shortcomings, and display our superiority and should follow the road of economic development suitable for Shandong's actual situation. We prepare to fully mobilize the positive factors of all quarters and to concentrate

our wisdom and strength on economic construction. We prepare to greet all domestic and foreign challenges and develop in the course of competition. We are ready to study open-mindedly the advanced experiences of all coastal fraternal provinces and cities; to study the experiences of Beijing, Tianjin, and Liaoning in the north and of Jiangsu, Zhejiang, Fujian, Guangdong, and Shanghai in the south; and to absorb their strong points to make up for our shortcomings. We should closely combine our revolutionary enthusiasm with our scientific attitude, rely on our own efforts, engage in hard work and arduous struggle, manage our undertakings industriously, and carry out all fields of work realistically. It is suggested that this session should call on and mobilize the people throughout the province to promote Shandong's glorious revolutionary traditions, to enhance the spirit of all heroes in Shandong, to dare to be the first to tackle difficulties, to keep on fighting despite setbacks, and to fight bravely to realize the grand objective of successfully carrying out the second step of economic development.

In order to attain the province's grand objective of realizing the second step of economic development, we should conscientiously implement the spirit of the 13th party congress; persist in implementing the party's basic line during the initial stage of socialism; act according to the strategic principle of "paying attention to efficiency, improving quality, achieving coordinated development, and increasing steadily"; stress the basic balance between the society's overall supply and demands; proceed from Shandong's conditions; focus the work on raising economic results; consider reform as the impetus and scientific and technological progress as the guide; and achieve strategic changes in four aspects. We should shift the emphasis from extensive management to intensive management, from launching new projects to tapping potentials, from developing traditional industries to transforming traditional industries and developing new industries, and from developing domestic-oriented industry to export-oriented industry.

The next government's 5-year term is a decisive period for realizing the second 100-percent increase. In the next 5 years, we should, on the one hand, comprehensively overfulfill the various targets for the last 3 years of the Seventh 5-Year Plan period; on the other hand, we should strive to make a success of the work for the first 2 years of the Eighth 5-Year Plan period. By 1992 the GNP will reach 95.1 billion yuan, an increase of 51.8 percent over 1987; the national income will reach 81.9 billion yuan, an increase of 49 percent; and the industrial and agricultural output value will reach 182.6 billion yuan, an increase of 56.7 percent, of which the agricultural output value will be 35.2 billion yuan, an increase of 20.5 percent, and the industrial output value will be 147.4 billion yuan, an increase of 68.5 percent. It is suggested that the next government attend to the following five major tasks for economic construction.

A. It should rely on policies, science, and investment to strengthen and improve agriculture, which is the foundation. Agriculture occupies a very important position in

our province's economy. Eighty-seven percent of the province's population is engaged in agriculture, more than 70 percent of the raw materials for light and textile industries are farm and sideline products, and one-half of our local export goods comes from agriculture. Practice since the founding of the PRC has proven that the general situation will be stable if agriculture is stable and all undertakings will be developed if agriculture is developed; and that if agriculture is not stable and developed, the entire economy and social stability will be seriously affected. Governments at various levels should firmly foster the idea of taking agriculture as the foundation and truly attach great strategic importance to it. (59 543, & 5#3, 8, & - & 48:7) 5743.

To strengthen agriculture, it is necessary to act according to natural and economic laws; conscientiously implement the principle of "never slackening grain production while actively developing diverse undertakings"; correctly handle the relationship between grain and cash crops, between planting and forestry, animal husbandry, sideline production and fisheries, and between agriculture and industry and commerce; continue to restructure production well; and achieve self-sustained growth in the rural economy. Grain is an issue bearing on the national economy and the people's livelihood. With its large population, Shandong should strive to achieve self-sufficiency in grain supply. Our province currently has 415 kg of grain per capita, which is greater than in the past, but is still not sufficient. We should adequately understand the importance and arduousness of grain production and should never take it lightly. In developing grain production, we should stabilize the areas sown to grain and increase per-unit yields. The areas sown to grain throughout the province should be maintained at approximately 65 percent of all cultivated land. Meanwhile, we should adopt such effective measures as applying more organic fertilizer, improving irrigation conditions, popularizing fine-strain crops, and increasing the multiple crop index to ensure a stable growth in grain output. Animal husbandry is a good undertaking through which many gains can be achieved. For instance, the peasants' income can be raised, a great amount of raw materials can be supplied to light and textile industries, market supply can be enriched, exports can be increased, and plenty of good-quality organic fertilizer can be produced. In our province, animal husbandry is still a weak link and, in particular, the proportion of plant-eating livestock and poultry is very small. Our province has great potential for developing animal husbandry. It has nearly 20 million mu of grassland that can be developed and utilized, and several dozen billion jin of straw goes unused each year. If scientific methods are adopted to ensile, saccharify and ammoniate the straw, at least another 3-4 million head of draft animals can be raised. While stabilizing pig and chicken production, we should exert great efforts to develop plant-eating livestock and poultry and, in 5 years, strive to increase the proportion of animal husbandry output from the present 17 percent to 20 percent of the total agricultural output value, increase the proportion of the output value created

by plant-eating livestock and poultry from the present 18 percent to more than 20 percent of the total output value of animal husbandry, and double the present number of draft animals. The Huang He delta and areas with abundant grass resources should be turned into bases for growing plant-eating livestock and poultry as soon as possible. On the basis of growing by households, we should actively develop specialized breeding and at the same time establish coordinated service systems for fine-strain breeding, feed supply, disease prevention and treatment, and for processing, transportation and marketing so that a great breakthrough can be achieved in animal husbandry at an early date.

The work of enhancing agriculture should be based on the province's strong points and on vigorously engaging in production with a developmental nature. Efforts should be made to fully tap the potential of 100.5 million mu of farmland and particularly to accelerate the pace of improving the 70 million mu of low-yield farmland. A good job should be done in carrying out farmland capital construction, enhancing the capability of combating drought and preventing waterlogging, popularizing and applying new technologies, conducting intensive and meticulous farming, and achieving high and stable yields on a large scale. The provincial authorities have decided that, beginning this year, the province will popularize on a large scale the experience gained by Qihe, Yucheng, and Lingxian Counties in improving the low-lying land having alkaline and sandy soil. It will accelerate the pace of improving the farmland along the Huang He and Huai He valleys and strive to have the output of medium- and low-yield farmland reach a new standard. Efforts should be made to accelerate the pace of developing or utilizing the 46 million mu of waste mountainous slopes and grassland; to vigorously develop the undertakings of fruits and animal husbandry; and to actively open the timber, foodstuffs, and animal by-product processing businesses. We should vigorously develop the 29 million mu of shallow waters and beaches, 299 islands and their surrounding waters, and 4 million mu of fresh water; accelerate the pace of developing aquatic production and oceanic industries; gradually build the areas on the Huang He delta and along Laizhou bay into shrimp-raising bases; and build the islands of Changshan and Lingshan and the coastal areas of Rongcheng County and Weihai City into bases for turning out precious aquatic products. The provincial authorities and localities should vigorously formulate plans in line with the development and construction in these three aspects and should organize all forces to implement the plans. They should mobilize much manpower and more financial, material, and intelligence sources to go to the mountainous and coastal areas and to the seas to turn the strong points of various natural resources into those of commodities and the economy.

In enhancing agriculture, we must keep our eyes on further bringing the peasants' enthusiasm into play and strengthen the vitality of agriculture. In improving agriculture to a new standard, we should concentrate our

efforts on deepening reforms and perfecting policies. In conducting reforms in rural areas, we should chiefly and gradually establish or improve the centralized or decentralized management mechanism on the basis of consolidating the household responsibility system linked to output and develop the various service organizations. Efforts should be made to continuously enforce or improve the "double track" system of signing contracts on purchasing farm and sideline products and regulating markets and to actively develop the unified operation system among trade, industry, and agriculture and among agriculture, industry, and commerce. We should encourage or urge units to establish various types of cooperation and associations, gradually standardize the economy, and bring the potential of rural villages into the fullest play. Special attention should now be paid to successfully dealing with the problem of lower profits earned from the planting undertakings, successfully making up agricultural losses with industrial profits, and successfully implementing the policy of the "three hook-ups". All materials covered by the contracts, which can be sold to the awarded peasants, should be handed over to the peasants with full volume and within the given date. No unit or individual is allowed to abuse these materials. Problems arising in any link should be clearly investigated to call the link to account. The responsibility system of allocating and distributing farm and sideline products should be adopted by the provincial authorities for prefectural- and city-level departments and by the prefectural and city authorities for county-level departments in order to bring into play the localities' enthusiasm in developing the rural commodity economy.

In enhancing agriculture, we should attach great importance on scientific progress and on increasing material input. During the coming 5 years, we should vigorously popularize fine seeds, vigorously adopt the advanced technology, improve the farming style, push forward farm mechanization, and integrate biological measures with engineering and technological measures in order to upgrade the standard of scientific farming. Improving production conditions is an important guarantee of achieving high and stable agricultural yields. The state, localities, collectives, and peasants should increase their investment in agriculture. Agricultural investment should be chiefly dependent on the accumulation of peasants. Localities should spend more financial revenues on agriculture. The province, cities, prefectures, and counties should establish rural funds for economic development and should do a good job in managing well the special agricultural funds appropriated from financial revenues, banks, and foreign capital and in using them flexibly. Industries and trades should foster the idea of mutualcoexistence with agriculture and adopt various ways and means to support agricultural production. A good job should be done in further building the bases of farm and sideline products by adopting the measure of integrating investment with output. Efforts should be made to actively support industrial production which supports agricultural production, particularly the

production of fertilizer, agricultural chemicals, plastic sheeting, diesel fuel, and farm machines. The departments of industry, commerce, and foreign trade should actively cooperate with the peasants in building the bases of raw materials and commodity sources. Great attention should be paid to maintaining an ecological balance, vigorously planting trees, enlarging the afforestation acreage, preventing soil erosion, and plundered farming and to integrating the development and utilization of natural resources with their organic maintenance and protection in order to achieve a benign cycle between agricultural production and ecological environment.

B. It should perfect the industrial and product structures and accelerate technological transformation with a view to ensuring the sustained and steady growth in industrial production. Thanks to 30 years of construction, the province's industry has already become a leading force in the national economy, a major undertaker of commodity production, and a main source of financial revenues, thus determining to a great extent the process of the province's modernization drive. By focusing on improving economic efficiency, in the coming 5 years we should reasonably readjust the industrial structure and product mix, accelerate the technological transformation of existing enterprises, ensure the construction of key projects, and maintain the good trend in rural industrial development.

We should focus our energy on improving economic efficiency. The guiding ideology for the province's industrial production is to improve product quality, emphasize the production of readily marketable products, cut material consumption, rationally arrange major production elements, and raise the efficiency in fund and natural resource utilization. All localities and trades should regard economic efficiency as the most important criterion for appraising and assessing the economic work. All industrial enterprises should pay great attention to perfecting their product mix, making technological progress, and improving operation and management. We should launch a penetrating and sustained upgrade of enterprise management and should positively popularize comprehensive quality control, comprehensive economic accounting, and the per capita technological training in order to upgrade the general level of enterprise management within 5 years. We should pay great attention to strengthening safety management, should vigorously eliminate hidden dangers, and should attend to production safety.

Readjusting and perfecting the structure of industrial production is an effective way to improve economic results. In light of the current structural contradictions in the province's industry, the inclined orientation for the structural readjustment in the future should be to make full use of the superiority in natural resources; emphasize the rational distribution of the economy; accelerate the construction of the energy industry, with the power industry as the key link; speed up the production of

energy resources, including coal and petroleum; accelerate the building of the Qilu 300,000-ton ethylene project and its supporting items; vigorously develop the petrochemical industry; positively develop the products produced by the machinery, electronics, and instrument industries; readjust the structure of the light and textile industries; vigorously develop scarce products, export products, and top-brand, quality, special, and new products; upgrade products; increase the patterns and varieties of products; vigorously develop the building and building materials industries, and build them into a major pillar of the province's economy; and develop high technology and new industries in a planned and orderly manner in the course of applying advanced technologies to renovate the traditional industries.

We should try every possible means to accelerate the technological transformation of existing enterprises. Carrying out technological transformation among existing enterprises will consume fewer investments and yield quicker returns. We should change the ideas of unduly emphasizing capital construction to the neglect of technological transformation and of unduly emphasizing production expansion to the neglect of tapping potential. We should emphasize investment in technological progress. Through 5 years of efforts, we should strive to enable the quality and function of 50 percent of our major industrial products to reach the level which developed countries reached in the early 1980's. We should also strive to make our 1,250 products be produced in line with international standards and to make the productivity of the province's industrial enterprises rise from the current 18,700 yuan per capita to 25,000 yuan per capita. We should carry out technological transformation proceeding from a high level and try our best to apply advanced technologies in order to gradually base our industrial production on a new technological level. We should formulate plans for carrying out systematic reforms for every trade and every product series in the course of developing top-brand, quality, special, and new products. We should attach importance to renovating energy, transportation, raw materials, machinery, electronics, and consumer goods industrial enterprises, as well as enterprises producing export products and import substitutes, which have a bearing on the overall economic situation. At the same time, we should select some enterprises or enterprise groups having a relatively good technological and managerial foundation to adopt advanced technologies and carry out comprehensive reform in order to establish some examples which play an exemplary role among various trades.

We should carry out simultaneously the import of technology and the independent development of technology and should accelerate the mastery, application, and further development of imported technology. Based on the demand for "producing, storing, and developing one generation of products after another," enterprises should greatly develop new products, strive to increase patterns and variety, and continuously expand the marketing of our province's products in domestic and international

markets. Funds for technical transformation should be collected through various channels and at various levels. In line with the principle of giving priority to technical transformation and to the mastery and application of imported technology, we should supplement and improve the policies encouraging enterprises to achieve technological progress.

We should be determined to guarantee key construction projects. During the Seventh 5-Year Plan period, most of the large and medium-sized projects arranged by the state in our province are energy, communications, and raw material projects. It is of very important significance in our province's economic development that these projects be completed and put into operation as quickly as possible. The present conspicuous contradiction is a lack of funds. We should handle correctly the relationship between the interests of the whole and the interests of the part and between immediate and long-term interests; continue the principle of ensuring key, planned, and productive projects and reducing nonessential, unplanned, and nonproductive ones; reduce unplanned ordinary projects and nonproductive projects, such as the construction of office buildings, auditoriums, and hotels; and muster financial and material resources to ensure the smooth progress of key projects. We should adopt various measures to collect funds, such as selling in advance the utilization rights for electricity and raw materials, issuing bonds for key projects, and using loans from world monetary organizations and governments. We should apply the responsibility system to the construction of projects; adhere to the principle of "five priorities"; and satisfy the needs of key projects in the fields of land requisition, dismantling of houses, supply of water, electricity and local raw materials, transportation, survey and designing, and construction forces. We should provide various service to the construction sites of key projects. We should strengthen management of the construction industry, improve the construction market, widely apply the open bidding system in undertaking projects, improve construction quality, reduce material consumption, and strive to achieve a fundamental improvement in the quality of construction projects within 1-2 years, thus raising to 100 percent the rate of key projects having up-to-standard quality.

We should continue to attend to the development of rural industries and regard it as a major strategic area. Our province's rural industrial development has accelerated over the past few years. More than 50 percent of the newly added industrial output value comes from rural industries. Following the invigoration of state enterprises and the tightening of credits, rural industries will face rigorous tests. We should adopt an active attitude and effective measures to maintain the good trend of rural industrial development. We should enthusiastically support and actively guide rural industries. In areas where the rural industries have a fairly solid foundation, we should further improve their management and operation, accelerate their pace in technological progress, improve their quality, and expand the export of their

products. In areas where rural industries are developed later than in other areas, we should arrange for the rural industries in a planned manner and gradually develop their number and scale from small to large. Governments at various levels should guide rural industries in order to define a correct orientation of development in line with domestic and international market demands and local advantages, to avoid ill-considered projects and sharp rises and falls, and to gradually establish key enterprises and produce high competitive products with regional characteristics. We should actively guide rural enterprises to cooperate and establish ties with scientific research units, colleges and universities, and large and medium-sized enterprises; bring in technology and personnel; and improve their technological and managerial levels. We should formulate laws and regulations and improve systems to safeguard and guarantee the legitimate rights and interests of rural enterprises. Departments concerned should change their traditional method of taking charge of their subordinate and budgetary enterprises alone; foster the idea of large-scale industries and trades; strengthen their overall guidance to rural industries; and provide them with more and better service in the fields of information, consultation, planning, appraisal, technological development, quality inspection, and product marketing.

C. It should encourage the initiative of the state, the collective, and the individual and accelerate the development of the tertiary industry. Our province has made fairly large progress in developing the tertiary industry over the past few years; however, our development far from meets the development needs of the primary and secondary industries and the needs of the people's livelihood. In the next 5 years, we should continue to adhere to the principle of encouraging the initiative of the state, the collective, and the individual and enable the tertiary industry to enter a new level. By 1992 the entire province should basically form an open, multichannelled commodity circulation system having fewer links, and a network to circulate funds, exchange information, and provide consulting services. The communications, transport, and post and telecommunications industries should witness a comparatively big development; and scientific, technological, educational, public health, tourism, and all cultural undertakings should be further invigorated.

Developing the commercial, catering, and service industries is an important task in running the tertiary industry. We should adopt unified plans and rational distribution and accelerate the building of networks. Places having a small number of service networks, particularly outlying areas and the new city proper, should actively establish networks to provide conveniences for the people's livelihood. The establishment of all kinds of networks should be included in the construction plans of cities and towns. Market management fees should be used primarily for market construction in an effort to

develop markets with market fees. The state commercial departments and the supply and marketing cooperatives should fully display their role as the main channels, actively participate in market regulation, expand the service spheres, do a good job in storing some products during peak periods, strive to ensure supplies during the off seasons, make up deficiencies elsewhere from their own surplus, strengthen their abilities to regulate prices and stabilize the market, and play an exemplary role in doing business and rendering services in a civilized manner. We should realistically strengthen management over market commodity prices; establish and improve a network of management and supervision by combining the efforts of government departments and the masses; strengthen supervision and inspection; and quickly expose and resolutely struggle against all unlawful acts such as cheating and dominating the market, forcing up prices, and disrupting market order.

Information and consulting services are the new industries in the tertiary industrial sector, and they have played a particularly important role in economic and technological activities. The province and all localities should establish as soon as possible an information system in the agricultural, industrial, scientific, technological, commercial, and foreign export trades and should establish a consulting service industry to provide consulting services concerning technological development, project construction, construction contracts, foreign economic relations and trade, banking and accounting, and judicial and notary work. We should strengthen information dissemination; adopt modern means to speed up the collection, handling, dissemination, and utilization of information; and do a good job in making predictions in order to meet the needs of economic development.

We should further relax control over policies; create a social environment that is favorable for pooling the efforts of the state, the collectives, and individuals to develop tertiary industry; pay attention to safeguarding the legal rights and interests of individual commercial households and private enterprises; and guard against belittling them politically or creating economic difficulties for them.

D. We should make full use of our province's coastal superiority to accelerate the pace of developing the export-oriented industry. Opening to the outside world and developing the export-oriented industry are the important strategic tasks of invigorating Shandong's economy. The world economic structure is being readjusted, thus providing a good opportunity for our province to greatly expand the export-oriented processing industry and make better use of foreign capital, technology, and funds. Based on the development of the export-oriented industry, we should further break with the closed economy; boldly grab opportunities; fully display the province's superiority of having many labor forces; actively participate in the great international economic cycle to open up a new situation in foreign economic and

technological exchange in an effort to stimulate the whole province, particularly the coastal areas; and invigorate the economy. By 1992 we should strive to enable the province to increase foreign exchange earnings through exports from the present \$2.97 billion to at least \$4.5 billion; to increase the number of competitive products that may earn more than \$10 million of foreign exchange from 36 to 60 or so; and to establish 350 or so enterprises that may produce more than 100 million yuan of output value, 10 million yuan in profits and taxes, and \$1 million of foreign exchange through exports. In Jiaodong peninsula, we should strive to basically attain the goal of making all villages export farm and sideline products, all townships export industrial products, and all counties export competitive products. We should also further expand the scope of using foreign funds and importing technology and increase the number of enterprises with funds coming from foreign capital, Overseas Chinese, Hong Kong, and Macao from the present 126 to 400 or so.

We should expand the scope of using foreign exchange and importing technology; adopt more flexible ways to open up channels; strive to get government loans; absorb direct investment from foreign firms; and welcome compatriots from Hong Kong, Macao, Taiwan, and overseas to establish enterprises in Shandong. We should vigorously develop the three forms of import processing and compensation trade; correctly guide the orientation of using foreign capital; and mainly use it for developing enterprises to earn foreign exchange through exports, enterprises with advanced technology and enterprises for producing import substitutes and for carrying out developmental production, and infrastructure facilities. In line with the relevant state stipulations, we should formulate and improve the preferential policies, raise work efficiency, do a better job in building infrastructural facilities, improve the investment climate, and strive to form as soon as possible a "microclimate" that favors investment by foreign firms. To import technology, we should pay special attention to importing software and key equipment, strengthen macroeconomic management, avoid duplicated and blind imports, and strive to raise economic results of the entire technological import business.

Expanding exports to earn foreign exchange is the key to developing the export-oriented economy. We should fully display Shandong's superiority, vigorously develop export products with good economic benefits and strong competitive ability, and strive to achieve a fairly big increase in export trade. It is necessary to rationally readjust the structure of export products and speed up the building of export production enterprises. While consolidating and developing the export production bases of farm and sideline products, we should plan and set up a group of new and special plants and workshops for producing export manufactured goods, actively develop all forms of cooperation, organize and establish a number of enterprise associations and groups for producing and exporting mainly brand-name and quality

products, develop joint ventures with departments concerned, and enter the international market. At the same time, we should actively develop tourism and foreign labor services and cooperation in an effort to increase foreign exchange earnings from non-trade business.

Our province will develop the export-oriented industry in three stages and expand it from east to west. The first stage includes the three coastal open cities of Qingdao, Yantai, and Weihai and two economic and technological development zones. They should take the lead in adopting advanced technology to transform traditional industries; speed up the pace to introduce investment from abroad and establish lateral ties at home; and become export bases to earn foreign exchange through exports and showcases for transferring technology to the inland areas, for training personnel, and for disseminating information. We should strive to take 5 years or so to increase by 100 percent the proportion of the value of export product delivery to total industrial and agricultural output value. The second stage mainly includes the six cities of Qingdao, Yantai, Weihai, Weifang, Zibo, and Jinan, with the coastal areas of Rizhao, Dongying, and Huimin as the two wings, so as to form an economic development zone in Shandong peninsula. We should develop inter-city cooperation, establish a group of export-oriented enterprise associations and groups, and use the state preferential policies to develop agriculture in order to earn foreign exchange. During the third stage, the entire province should gradually expand the depth and breadth of opening to the outside world and form export production units for producing farm and sideline products, light and textile products, machinery and electronic products, chemical products, and building materials. The entire province, from the higher to the lower levels, and all trades and professions should adapt themselves to the demands of international markets and bravely enter the world economic stage.

E. We should combine the efforts of urban and rural areas and the eastern and western parts of the province and follow the road of common development and invigoration in all fields. Using cities to stimulate counties, combining the efforts of urban and rural areas, using the eastern part of the province to stimulate the western part, and combining the efforts of the east and the west are effective ways to speed up the province's economic development. We should further break with the barriers between urban and rural areas and the regional blockade and should accelerate cooperation between urban and rural areas and the eastern and western parts of the province. It is necessary to give different guidance in different regions, promote strong points, avoid shortcomings, display superiority, and promote better economic development.

In order to combine the efforts of urban and rural areas, we should further strengthen the functions of cities and display their influential role. Our province has 25 cities and more than 800 towns. Advanced productive forces are concentrated in these cities and towns because most

of the province's industrial fixed assets, colleges, secondary and specialized schools, scientific research institutes, and scientific and technical workers are located there. They should shoulder the historical mission of supporting and stimulating the development of the rural areas.

Governments in urban areas should keep abreast of the development of the planned commodity economy and the demand for improving the people's material and spiritual civilizations and should strengthen urban planning, construction, and administration in order to enhance the attraction and influence of urban areas. Urban areas should gradually spread primary products, low-grade products, and, in particular, the elementary processing of agricultural by-products to the rural areas and should give a hand to vigorously develop the technological-intensive enterprises and high-technology products. All urban areas should take advantage of their favorable conditions in industry, science and technology, talents, funds, goods and materials, and information to facilitate the economic development of the rural areas and to establish a new type of relations between urban and rural areas.

We should combine the eastern and western areas of the province primarily through organizing lateral associations and helping each other with one's own favorable conditions in order to 49.953 :9..9, 3:9,9.8: \$3;3)90.3,5 8, ?95# -43-. We should continue to consolidate and develop associations among Jinan, Qingdao, Yantai, Weihai, Weifang, and Zibo Cities; the counterpart economic contacts between these six cities and the northwest area of the province; and the counterpart support to the poverty-stricken counties in the Yimeng mountain areas. From now on, still more support should be given to the northwest area and poverty-stricken mountain areas in the fields of capital construction, technological transformation, supply of energy resources, and agricultural input. Those projects and investments applicable to these areas should all be pre-arranged for them. We should give full play to Taian, Jining and Zaozhuang Cities' favorable conditions in coal deposits in order to gradually build them into coal and coal chemical industrial bases. After 5 or more years of efforts, we should enable the province's economic distribution to spread comprehensively along the Qingdao-Jinan railway, the Beijing-Shanghai railway, and the Xinxiang-Shijiazhuang railway.

We should attend to the following several issues in future economic construction. The first issue is land management. We should strictly ban the arbitrary occupation of cultivated land and should manage land according to laws, use it economically, reclaim waste land, and create farmland in order to attain the goal that the province's cultivated areas will no longer decline after several years. The second issue is environmental protection. We should strengthen comprehensive pollution control from the "three wastes" and strive to change these wastes into treasure. In building new projects, we must adhere to the "three simultaneous" principle in order to prevent new

pollution sources from emerging. A deadline should be given to eliminate those old pollution sources. The provincial authorities plan to grasp the environmental improvement in Jinan, Qingdao, Zibo, and other big cities in the coming 5 years and to comprehensively control the four lakes in the southern part of the province, Dongping Lake, the Xiaoping He, and the Luoshan He. The third issue is population control. According to calculations by departments concerned, during the 16 years from 1970 to 1985, there were 2,087 fewer births throughout the province. According to China's current average consumption level, this enabled the society and families to conserve 206.6 billion yuan in the cost of raising children to the age of 16. In the last 2 years, 530,000 more people were born in the province, and some 5.3 billion yuan is needed to raise them to the age of 16. This fully shows the extremely important significance of family planning. To reach the level of relatively well-off in the coming 8 years, we must pay equal attention to production and family planning by accelerating material production and controlling population growth; otherwise, it is heard to fulfill the goal of being relatively well-off, even though our material production is accelerated. Carrying out family planning is a basic national policy of our country. We must strengthen leadership over this work, stabilize policies, and strengthen measures in order to strictly control population growth. We should continue to advocate late marriage and late childbirth, healthy births and sound upbringing, and the system of one child per couple. Above-quota births should be strictly banned. We should implement the system under which leaders at different levels assume responsibility for their family planning work in order to make each couple subject themselves to family planning and other pertinent policies. Family planning should be practiced in both urban and rural areas, with the emphasis on the rural areas, particularly in backward units. With regard to backward units, leading comrades should personally attend to this work and set a fixed time to change their situation. In 1988 the provincial natural population growth rate should be controlled to within 12 per thousand.

3. We Should Rapidly Shift Economic Construction to the Path of Relying on Scientific and Technological Progress to Raise the Quality of Laborers

The 13th party congress established that we should give priority to developing science, technology, and educational undertakings and shift economic construction to the path of relying on scientific and technological progress to improve the quality of laborers. At present the world's new technological revolution is being invigorated and productive forces are being rapidly developed. However, our province's trained personnel and technology are still backward. If we fail to pay attention to developing intellectual resources, technological progress, and improving the quality of laborers, we will waste resources, affect economic results, obstruct economic development as a whole, and lag far behind the advanced world level and fraternal provinces and cities.

In economic development we should rely on science and technology; in scientific and technological progress we should rely on the efforts of trained personnel; and in training personnel we should develop education. We must establish a strategic ideology of "using science and education to invigorate Shandong," pay attention to scientific, technological, and educational undertakings as we do in economic work, increase input, and strengthen measures in an effort to speed up technological progress and the development of intellectual resources. In this field we should have a sense of urgency, crisis, and responsibility and try hard to catch up with others.

A. We should continue to conscientiously implement the principle of relying on science and technology to develop the economy and adapting science and technology to the demands of economic construction and promote extensive and closer ties among science, technology, and production. In the next 5 years we should raise the ratio of the province's scientific and technological progress to the factors of economic growth from the present 30 percent or so to more than 40 percent; raise the output value of intellectual and technology-intensive products from the present 5 percent to more than 10 percent; remarkably intensify technological development and the ability to absorb technology; substantially raise the economic and social management levels; and effect the attainment of the advanced international level of some higher science and technology.

The various national economic departments should further display their initiative in relying on scientific and technological progress and adopt more advanced and applicable technology to transform traditional industries and develop new industries. We should understand domestic and foreign new technological developments and application information, trace the new trend of technological revolution, and import and absorb technology through opening up various channels and adopting flexible methods, all in a timely way. We should create conditions, actively bring in domestic and foreign scientific and technical experts and managerial specialists, and serve our province's economic construction. All levels should increase scientific and technological investment and all production units should use more funds at their disposal in developing technological progress. The local foreign exchange should be mainly used for importing technology excerpt for using a part for importing some necessary raw materials in short supply. We should make allowances for tax revenues among enterprises that use new technology, new methods, and new materials, and adopt economic and legal means to discard outdated methods, equipment, and products to update and upgrade technology and products. It is necessary to speed up the process of domesticizing imported technology and equipment and stop importing all technologies which have been successfully assimilated and absorbed.

We should realistically shift the emphasis of scientific and technical work to the main battlefield of economic construction. Only by conducting and serving economic

construction can we vitalize scientific and technological undertakings and put scientific and technical workers to full use. In the next 5 years we should conduct joint scientific research projects in the storage, preservation, and processing of farm and sideline products; effect technological transformation of industries with traditional superiority, key production, and construction technology; and promote development of new technology and new industries. This move will help to improve and raise the capacity of industrial and agricultural production, reduce consumption, increase efficiency, and solve technical problems. And it will provide a technical reserve for long-term and steady economic development. We should attend to applying the existing scientific and technological findings and make up our minds to substantially popularize the province's existing scientific and technological findings. In the rural areas we should comprehensively implement the "spark plan;" raise the technical level of all rural industries, particularly township enterprises; pay attention to grasping 1,000 technological development demonstration projects that do not require much time, yield quick results and high benefits; develop and mass produce 110 complete sets of equipment suitable for township enterprises; train a great number of competent personnel for township enterprises and the vast rural areas; and enable them to play a key role in rural economic development.

The key to speeding up technological progress is to deepen scientific structural reform. At present we should consider relaxing control over scientific research organs and scientific and technical workers as the emphasis of reform. In relaxing control over scientific research organs, we should separate ownership from managerial authority, implement the system of having directors of institutes assume full responsibility, actively promote the system of being responsible for certain tasks, allow contractors to freely cooperate with others, and introduce competition into scientific research units. Scientific research organs with a small scale and ineffective management should be contracted or leased out through public bidding. The basic scientific research units should actively enter enterprises or enterprise associations or run all kinds of technological development centers. We should actively develop technology markets and commercialize technological findings. To relax control over scientific and technical personnel, we should ease policy restrictions and implement the relevant policies, encourage and organize scientific and technical personnel to work in grassroots units, and shift their work from cities to the countryside and from scientific research units to the forefront of production. Since we relaxed control over scientific research units and scientific and technical personnel in 1986, 27,000 scientific and technical personnel in our province have left their scientific research units, institutions of higher learning, large and medium-sized enterprises, and government organs and gone to work in medium-sized and small enterprises, township enterprises, and in the rural areas. In the future all

scientific and technical workers who enter the production sphere should follow the path of combining scientific research with production. We should stabilize and expand the contingents of rural scientific and technical workers and implement preferential policies in the poverty-stricken and backward areas and among the rural grassroots scientific and technical personnel. Through transfers to other localities, halting the receipt of wages while retaining their posts, or resigning from their posts, scientific and technical workers may contract, for lease, or establish enterprises. We should allow scientific and technical personnel to use their spare time to engage in concurrent posts, scientific research, and writing; to undertake project prospecting and design tasks in units with prospecting and design certificates; and to render paid services. The province intends to recommend some key scientific and technical cadres to serve as deputy heads of counties (cities and districts) in charge of scientific and technological work while allowing them to retain their posts in the province. This method will be first tried out in some counties (cities and districts). All localities may also try out this method in townships and towns.

To speed up scientific and technological progress, we should also pay attention to capital construction in favor of scientific and technological undertakings and continue to increase scientific and technological investment. Scientific research units should use their income from transferring technology, exporting technology, and rendering paid services to improve conditions for conducting scientific research and strive to make some instruments and equipment of scientific research units exercising independent accounting attain an advanced international level within 5 years or so. We should continue to conduct extensive mass activities to study and apply science and to carry out technical innovation, train a great number of key technical cadres among the masses, develop plant-run scientific research organs, establish and improve practical technology training networks in the rural areas, actively develop scientific and technological demonstration households, and form a science and technology popularization system in the rural areas as soon as possible.

B. We should persist in developing multilayered, multi-channeled and diversified forms of teaching and comprehensively invigorate educational undertakings. We should foster the concept that education is of fundamental importance to the fulfillment of our great long-term mission, improve and strengthen the "great educational" system, actively popularize 9-year compulsory education, and develop secondary and higher education in a planned manner. While successfully conducting ordinary education and improving teaching quality, it is necessary to strengthen vocational and technical education, adult education, pre-school education, and the on-the-job training for teachers and specialized scientific and technical workers. By 1992, the total number of students of all kinds of vocational and technical schools should account for more than 50 percent of the total number of

senior middle school students and the number of students of higher educational institutes for adults should increase from the present figure of 110,000 to 230,000. We should universally train in-service workers at least once, enable each and every young and middle-aged person to master one or two practical technologies, replenish and renew the knowledge of specialized scientific and technical personnel, remarkably raise the scientific and cultural levels of the entire labor force, and prepare trained personnel and intellectual resources for economic invigoration during the 1990's and the early part of the next century.

In order to realize these goals, we should implement the principle of orienting education to the needs of socialist modernization, deepen the educational structural reform, and put more effort into cultivating more talented people who can be used. We should further tap the potential of the existing schools; successfully restructure education; establish a number of vocational and technical schools and secondary specialized schools; increase specialties that are lacking or weak; and exert great efforts to hold on-the-job training, in particular the training of young staff members and workers and rural educated youths, so as to meet the needs for the personnel of different specialties at different levels in economic construction. We should popularize and improve the schoolmaster responsibility system and the teacher employment system, reform the recruitment system and the graduate job distribution system, and reform teaching materials and teaching methods. We should strengthen and improve the schools' ideological and political work and train students who are comprehensively developed morally, intellectually, physically, aesthetically, and in labor. We should attach great importance to improving the contingents of teachers. All existing teacher training institutes should tap potential and recruit more students. Other secondary specialized schools and the colleges and universities should open teacher training classes when conditions permit. We should also improve the political and professional quality of incumbent teachers through correspondence courses, short-term training programs, advanced study, and self-study. We should strive to make most teachers become basically qualified in schooling and obtain professional qualification certificates in line with the requirements of their teaching tasks within 5 years. Governments at various levels should collect and manage well the additional education fees. Financial departments at various levels should ensure that their annual education expenses grow more than their normal expenditures. Meanwhile, we should encourage the various quarters of society to raise funds for developing education.

C. We should establish a good social practice of respecting knowledge and talented people. The phenomena of a serious shortage of talented people and a waste of talented people currently exist. Governments at various levels and the various circles of society should provide a good environment that is conducive for talented people

of various specialties to grow and play their role and should establish a social practice of attaching importance to, valuing, and showing concern for talented people. We should assign tasks to talented people of various specialties, place heavy responsibilities on them, allow them to fully develop their specialties, and strive to improve their working and living conditions. In line with the stipulations of the state and the province, we should adopt a policy under which top-notch talented people have a chance to show their talents and should amply reward those who make outstanding contributions to scientific research, teaching, and production. We should support the rational flow of talented people so that they can put their specialized knowledge to best use.

For many years, the masses of scientific and technical personnel and education workers have taken infinite pains to work diligently and have made tremendous contributions to the four modernizations. They are respected and loved by all of society. The masses of scientific and technical personnel and education workers should fully understand the historical tasks they shoulder, enhance their responsibility and enterprising spirit, give full play to their abilities, and contribute to building the material and the spiritual civilizations of our province so as to live up to the great expectation of the party and the people.

4. We should resolutely accelerate and deepen the economic structural reform.

In his report to the 13th party congress, Comrade Zhao Ziyang pointed out: "The socialist society is a society that advances in the process of reform," "We should persistently carry out the overall reform," and "Reform is the only way to develop China, it accords with the will of the people and the general trend of events, and is irreversible." We should bear the reality in mind to understand anew the great immediate and far-reaching significance of reform. In the next few years, the tasks for our economic construction will be numerous and very arduous. However, the task of prime importance is to accelerate and deepen reform, which is the central task. We should work out the overall plan with a view on reform and make reform last throughout and promote the entire work. In order to deepen reform, we should grasp well the basic criterion of developing productive forces and should reform, abandon, readjust and make flexible all the rules and regulations and systems that affect and hinder the development of productive forces.

All policies, measures, methods, and experiences that are conducive to developing productive forces should be affirmed, supported, advocated, and given the green light. the coming 5 years should be a period during which the reform will proceed by a big margin and yield remarkable results. the general plans for the province's economic structural reform are: changing the operation mechanism of enterprises by closely focusing on developing the planned commodity economy; carrying out by stages various kinds of supporting reforms; developing

and perfecting the market system; establishing a macro-economic regulation system, primarily with indirect control; and gradually forming an economic operational mechanism whereby "the state regulates markets and markets guide enterprises," in order to lay a foundation for establishing a new economic structure.

A. We should perfect the management responsibility system, with the contract system as the main form, and should deepen enterprise reform. invigorating enterprises is the central link in the current reform. the key to deepening enterprise lies in the separation of ownership from management power, in establishing the self-encouragement and self-restriction mechanism among enterprises, and in gradually reorienting enterprises on the road of market competition and responsibility for profits or losses. the contracted management responsibility system has already been instituted among most of our province's enterprises. the focus should now be on improving and enhancing this system. in terms of the content of the contract system, we should not only fix quotas for output value, output, and profits and taxes, but also fix targets for added value from property and for technological progress. we should reasonably define the basic figure of contracts, should fix the contract period for as long as possible, and should make every contract be legally notarized. we must bring the competition mechanism into contracts and select and invite competent managers through open bidding. contractors may be collectives or individuals. enterprises or individuals should be allowed to contract several enterprises simultaneously. transregional and transprofessional contracts should also be allowed. enterprises should comprehensively fulfill the various economic and technological targets stipulated by contracts, should overcome short-term behaviors, and should abide by state policies and laws. both parties to the contract should shoulder their duties in line with the stipulations of the contract and should attend to the service work.

After implementing the contract system, enterprises should seize an opportune time to carry out supporting reforms. they should comprehensively popularize the plant director (manager) responsibility system and should define the central role of plant directors in exercising overall leadership over plants and the plant directors' position as the plenipotentiary of the corporations. they should establish and strengthen the democratic management system and build new-type relations under which managers and producers depend on and cooperate with each other. they should conduct management by object; assign economic and technological quotas to every workshop, team, group, or individual; and establish and perfect the internal economic responsibility system and the system under which plant director performance is subject to supervision through auditing and subject to strict appraisals. they should gradually change the precept employment system, under which the fixed workers are the main body, to a laborer contract system having various forms. they should actively popularize labor associations and allow flexibility in the

fixed-worker system. they should popularize the "inner-plant banks" and the "full-load work method," strengthen economic accounting, improve management and operation, and raise labor efficiency. enterprises should accelerate the reform of the distribution system, positively institute the system of linking the total volume of wages with economic efficiency, and decide on their own the forms wages will take, such as the structural wage system and the piece-rate wage system, in order to mobilize the initiative of the large number of workers and staff members.

B. We should extensively organize lateral associations and positively develop enterprise groups and associations. associations will yield better results, bring about talents, and produce new productive forces. associations are also an objective demand and an inexorable trend of the development of socialized mass production. we should make the best use of the current situation to positively reorient lateral associations onto the road of high-level, wide-ranging, and comprehensive development. we should open wider the doors of our province, cities, counties, and plants; learn from the superior technologies of other provinces, localities, and units; open up still more cooperation channels; and expand the flow of information, technology, talent, funds, goods, and materials. we should vigorously develop enterprise groups and associations which regard large and medium-sized enterprises as the key body, should regard the quality top-brand products as the leader, and should include scientific research and banking units. enterprise groups should be gradually granted more power to invest in fixed assets, in the development of new products, in product marketing, in foreign trade and export, and in technology imports. enterprise groups that meet the requirements should be granted the power to undertake direct export business.

We should actively experiment with the shareholding system and promote economic cooperation through such means as joint investment and mutual purchase of shares. We should pay attention to overcoming backward ideas and a narrow field of vision, such as the idea of "rather being the master of hell than the servant of heaven"; the idea that an enterprise, whether large or small, is a self-contained unit; and the idea of all units establishing their own systems and being closed to one another, and should facilitate the optimum organization of the major elements for production and accelerate the process to achieve socialized and specialized production.

C. We should establish and cultivate the market system more rapidly and provide a state for equal competition in the development of the commodity economy. The small-scale incomplete, and unthriving markets in our province restrict the development of the commodity economy, and establishing and cultivating the market system has become an urgent task. While enlivening and managing well the market for consumer goods, we should actively open up the markets for such major elements of production as funds, materials, labor service,

information, and real estate and enable a coordinated and completely functional open market system to take shape as soon as possible. In order to develop the market for the means of production, we should enable the materials distributed under the unified state plan to become market-oriented; carry out the method of setting unified market prices for all materials, whether or not they are covered by plans, and of giving back the price differential; replace the distribution of materials with compensation for the price differential; and change the situation of having barriers set between different departments and regions, of having management carried out by numerous departments, and of having distribution and allocation done by every level, so that more materials can enter the market. Large and medium-sized cities should establish the market for the means of production, or a trade center with different characteristics and on different scales; and the various counties may also establish the market for materials in line with local conditions. The operation and management of the market for the means of production should be separated, and managers are not allowed to participate in their operation. In developing the money market, we should gradually develop the long-term money market while expanding the short-term money market. State monetary units and nongovernmental credit organizations should coordinate with one another to establish the money-lending network in order to accelerate the lending and circulation of money. We should exert great efforts to develop inter-regional and inter-trade money-lending activities, facilitate the lateral circulation of funds, and gradually establish regional monetary centers. Cities should establish and expand the securities market step by step; and if approved, enterprises may issue securities and stocks. We should open up the market for foreign exchange and establish foreign exchange regulating centers. We should actively develop the various insurance businesses. We should develop specialized banks and insurance companies into enterprises at a quicker pace. Agricultural banks and rural credit cooperatives should be separated as soon as possible, and the functions of credit cooperatives as monetary organizations should be restored.

D. We should strengthen and improve macroeconomic management and establish a macroeconomic regulating system that emphasizes indirect management. Further invigoration of the microeconomy and the continuous expansion of markets urgently require that a new and corresponding macroeconomic regulating system be established. We should accelerate the reforms in planning, investment, material allocation, finance and taxes, price, and foreign trade and should strengthen auditing work. In the reform of the planning system, we should emphasize eliminating excessive and rigid control, gradually reduce mandatory plans, and expand guidance planning and market regulation. We should reduce centralized management and expand the management by different levels. We should reduce the management of the targets for material object and expand that of the targets for value; and the practice of managing just the planned targets should be changed to the practice of

exercising planned guidance to and macroeconomic regulation of and control over the economic activities of the entire society. All planned targets should be fixed in the form of a contract. Planning departments should concentrate their efforts on studying economic and social development strategies, the relationship among the proportions of major sectors, the distribution of productive forces, and the production setup; formulate industrial policies; and serve as good advisers to governments. In the reform of the investment system, we should establish a special fund system for key construction projects so as to rationalize the investment structure and increase the returns on investment; adopt the method of paid utilization of the funds; and lend money again after previous loans are recalled. We should change the situation in which the state exercises too much control over capital construction and gradually shift to enterprises the responsibility for the investment in the capital construction of business projects and shift to local authorities the responsibility for investment in infrastructural facilities having more distinct regional characteristics. In the reform of the foreign trade system, we should popularize the contracted management responsibility system in a comprehensive manner and make big strides in line with the orientation of "holding the responsibility for one's own profits and losses, relaxing the control over management, promoting the cooperation between industrial and trade units, and popularizing the system whereby foreign trade corporations can act as agents for other enterprises in the export of their commodities."

E. We should actively conduct pilot works and pioneering experiments in reform. In the future, the province's reforms should advance from a shallow layer to a deeper layer and from individual reform to a whole range of subsidiary reforms. In order to accelerate and deepen all major reforms and carry them out steadily and solidly, we must pay attention to doing pilot work and pioneering experiments. On the basis of summing up experience, we should make new strides in conducting the original comprehensive reform and the individual reform experiments. In rural reform, we should select some counties (cities and districts) to conduct experiments on large-scale production, the shareholding system, shifting of labor forces, and developing the export-oriented economy. In conducting housing in urban areas, we should act in line with State Council plans. While improving the experimental experience of Yantai, we should first conduct housing reform in Jinan, Zibo, and Weifang Cities and some counties and should strive to popularize it throughout the province in 3 years or more. Real estate markets should be opened on a trial basis in Qingdao, Yantai, Zibo, and Jinan Cities; and stock exchange markets should be opened on a trial basis in Qingdao City. At the same time, we should conduct pioneering reform experiments in Weihai City. Other cities and localities may define their own pioneering reform experimental district (pilot units) in accordance with their needs and possibility. The province and all cities should delegate relevant powers and adopt more flexible policies among the reform pilot units and the

pioneering experimental units and should encourage them to explore boldly and to create new experience.

5. We Should Actively and Steadily Advance Political Structural Reform

Conducting political structural reform is the pressing need of deepening the economic structural reform and promoting the development of productive forces. Our basic political system is good; however, it has some defects, such as the overconcentration of power, overstaffing, the failure to separate government administration from enterprise management, serious bureaucracy, and imperfect democratic legislation. If we fail to conduct political structural reform, it will be impossible to achieve final success in the economic structural reform and fully display the superiority of the socialist system. We should act in line with the demands of the 13th party congress and successfully carry out this reform in a planned and orderly manner.

The Chinese Communist Party is the leading core of our country's socialist undertaking. The system of holding people's congresses is our country's fundamental political system. Governments at all levels should consciously receive the political leadership given by the provincial party committee and supervision from the people congresses and their Standing Committees of their corresponding levels. They should conscientiously and responsibly report their work to their party committees and the people's congresses, regularly listen to and solicit opinions from deputies, and improve their work in a timely manner in line with deputies' criticism and suggestions. During the political structural reform, governments at all levels should do a better job in building organs and gradually establish an administrative and management system to ensure a rational government structure, to clearly define responsibilities, and to adopt flexible operational policies in order to guarantee simple administration and higher efficiency. We should now proceed our work from the following aspects.

A. We should rapidly shift the government functions. The political structural reform in government organs should be focused on separating government administration from enterprise management and shifting their functions from direct management, which stresses primarily administrative means, to indirect management, which stresses primarily economic and legal means. It should concentrate energy on studying and formulating strategy, plans, principles, and policies for economic development; formulate plans for developing intellectual resources, technological transformation, and natural resources; carry out coordinated development plans of various localities, departments, and enterprises and properly handle their economic relations; work out plans for key construction projects; collect and issue economic information; master and apply the economic regulatory means; formulate and supervise the implementation of economic laws and regulations; manage foreign economic and technological exchange and cooperation; and

appoint and remove cadres in line with the prescribed power limits. Governments at all levels should achieve a new change in terms of ideology, work, work style, and systems and should better shoulder the tasks of organizing and leading the economy and social development.

B. We should further streamline administrative procedures and transfer powers to lower levels. We should separate government administration from enterprise management and truly return powers to enterprises. All powers which should be transferred to enterprises should be transferred, and no intermediate levels are allowed to retain part of these powers. If government decrees are implemented, we should clearly delimit the functions and duties of governments at all levels. All affairs which should be handled by lower-level governments should be handled by them, and higher-level governments should not exceed their functions and meddle in these affairs. Counties (districts) are a place where the macroeconomy combines with the microeconomy and the urban areas combine with the rural areas. County (district) governments are an important administrative level; therefore, still more powers should be given to them so that they can make policy decisions and manage human, financial, and material resources. The cities having districts should all establish district-level financial departments. We should improve and perfect the method whereby the province takes responsibility for the financial work of cities and prefectures and cities and prefectures take responsibility for the financial work of counties and districts in order to mobilize the initiative in making, accumulating, and using money. We should continue to summarize and popularize Zhucheng's experiences and organize well the "chorus" of the commodity economy. We should further strengthen the functions of town and township governments in managing the grassroots-level economy and social life. Those working bodies set up by professional departments in towns and townships and which are suitable for management by towns and townships should be gradually transferred to towns and townships for management. Villagers' and residents' committees are grassroots-level autonomous organizations of the masses; therefore, we should be concerned with and give support and guidance to their work; should respect more their autonomy; and should enable them to play a still greater role in building the two civilizations.

C. We should reform the working organs of governments from higher levels to lower levels. The reform of the working organs of governments should be carried out in line with the unified disposition of the party Central Committee and the State Council. The focus of the reform should be on strengthening the functions of the policy-making, advisory, regulatory, supervisory, auditing, and information departments; merging and reducing professional management departments and the professional organs within comprehensive departments; clearing up and consolidating administrative companies; abolishing those organs which were established according to the need of individuals; and curbing the size of overstaffed departments. On the basis of conducting

investigations and appraisals, we should rapidly work out programs for reforming the working organs of the provincial government; and these programs should not be implemented until they are submitted to and approved by the session of the provincial People's Congress. Personnel arrangement is an important question which must be properly solved in the course of organizational reform. Appropriate settlement should be given to all personnel so that all of them can perform their own duties and skills. All working personnel of government organs should withstand the test of reform, correctly approach organizational reform, keep their mind on their work, and be devoted to their posts in order to ensure normal work operations. The performance of cadres in carrying out organizational reform should be assessed conscientiously.

D. We should strive to raise the scientific and democratic level of policy-making by governments. After separating government administration from enterprise management and changing the functions of governments, whether or not governments at all levels can better perform their functions and duties hinges on the scientific and democratic level of policy-making. It is now urgent that the information, study, advisory, implementation, supervision, and feedback systems be strengthened and that a leadership procedure and working method of information—study—consultation—policy-making—implementation—supervision—feedback be formed gradually. To suit the demands of opening our province to the outside world and organizing lateral associations, all departments in all localities should take the lead in conducting investigations, forecasting, and appraisals and should establish "data banks." In conducting work, they should pay attention to soliciting and respecting the opinions of specialists, scholars, and the veteran comrades who have retreated to the second or third lines, in a bid to fully exploit their important role in carrying out reform and construction. The provincial government has decided to invite some veteran comrades who have retreated to the second and third lines and a number of veteran comrades of Shandong origin and veteran comrades who have worked for Shandong to serve as advisers to the provincial government. The provincial government has also invited five lawyers and legal experts to serve as legal advisers so that they may provide legal consultations for major policy decisions and economic activities.

E. We should make conscientious efforts to achieve progress in the styles of thinking and work of government organs. Under the new historical conditions, government organs should set high standards for and strict demands on their styles of thinking and work, straighten them out and improve them strictly, strive to cultivate an able and efficient contingent of state public servants whose standards are up to the standards, and establish the styles of thinking and work characterized by the practice of seeking truth from facts, braving the way forward, abiding by law and discipline, and performing duties honestly, and by high efficiency and quick work

pace. The activities to prevent and overcome bureaucracy should be carried out persistently and thoroughly. Leading cadres at various levels should adhere to principles, and take the initiative in resisting unhealthy trends. They should further change their workstyles, eliminate excessive meetings and documents, conduct investigations and study at grassroots levels, and solve problems on the spot. All personnel of the government organs should firmly bear in mind the purpose of serving the people wholeheartedly, and serve the masses, the grassroots levels, and production with all sincerity and might. They should display the spirit of self-reliance, pioneering a cause through arduous struggles, and building up the country through thrift and hard work, and resolutely overcome such unhealthy trends as extravagance, waste and ostentation, and lavish spending. They should conscientiously enhance the sense of effectiveness for a given period of time, and raise their work efficiency. Supervision organs at various levels should be established and improved to strengthen the examination of and supervision over government personnel at various levels. People who abuse power for selfish gains, violate law and discipline, engage in embezzlement, take bribes, reveal secrets, violate discipline when dealing with foreigners, appoint people by favoritism, deal blows to and retaliate against others, are morally degenerate, and cause serious losses to the causes of the state and the people through dereliction of duty, no matter how high their positions, should be strictly dealt with, and those with serious offenses should be punished according to law and never tolerated.

6. We should push the building of the socialist spiritual civilization to a new level.

When we are concentrating efforts on developing productive forces and carrying out economic construction, we should also attach great importance to building the socialist spiritual civilization. The 13th party congress pointed out that we should endeavor to build the spiritual civilization under the guidance of Marxism, strive to foster theoretical guidance, public opinion, values and a cultural and social environment which promote modernization, reform, and opening up, overcome the narrow mentality and conservative habits of the small-producers, resist decadent feudal and capitalist ideas, and arouse the immense enthusiasm and creativity of the Chinese people of all nationalities as they dedicate themselves to the cause of modernization. Based on this requirement, we should strengthen democracy and the legal system, successfully conduct ideological and moral education, make science and culture flourish, and push the building of the spiritual civilization to a new level, with the purpose of raising the ideological, moral, scientific and cultural levels of the people throughout the province.

A. We should strive to improve socialist democracy. Establishing a high degree of socialist democracy is one of our great goals and basic tasks. We should adopt an active attitude, emphasize actual results, set our sights

on arousing the people's initiative in managing the state, enterprises, and institutions, and start with the projects that we are capable of doing to promote the continuous improvement of the democratic system. Governments at various levels should open up wide channels for dialogues, and establish the situations to CPPCC members and democratic parties, and give heed to their opinions and suggestions. They should often hold dialogues with workers, peasants, intellectuals, young students, and retired cadres so that what is going on at lower levels can be made known to higher levels, and what is going on at higher levels can be understood by lower levels, thus enabling people to exchange their ideas and understand each other. Dialogue should be held on an equal and two-way basis. Governments should include dialogue in, and regard it as an important link of the procedures for policymaking. Dialogues should be held with peasants when important issues concerning agriculture are to be decided. Dialogues should be held with staff members and workers when important issues concerning enterprises are to be made. Dialogues should be held with intellectuals when important issues concerning science and technology, culture, and education are to be made. Such a practice should be institutionalized. Governments should give full play to the positive role of mass organizations in establishing democratic politics, support them to carry out their work independently, and enable them to better express and safeguard the specific interests of the masses they represent.

A good job should be done in handling the letters from the people and receiving the masses' visits to enable the masses to know where they can offer their suggestions and lodge their complaints. Efforts should be made to establish a system for the leading cadres to handle the letters from the people and to receive the masses' visits and to regard the work in this regard as an important channel in learning about the social conditions and the people's will. Cadres at all levels, particularly leading cadres, should develop a democratic workstyle, set examples in enforcing democratic centralism, and consciously accept the people's supervision. Efforts should be made to enlarge the scale and transparency of government work in opening to the outside world in order to have the people know the major affairs, to solicit opinions from the masses on the major affairs, to create a harmonious political atmosphere with free airing of views, and to bring into full play the enthusiasm and creativeness of the masses.

B. Efforts should be made to enhance the building of socialist legal systems. The socialist democracy and legal system are an organic entirety and inseparable. We must uphold the principle of grasping reforms and construction on the one hand and grasping the building of legal systems on the other hand; enforce the system of running the province, cities, and counties in line with the law; and achieve in the work of having laws be abided by, abiding by the law as long as it exists, strictly enforcing the law, and punishing those who have violated the law in order to orient various work on the track of legal

systems. Governments at all levels should begin to formulate draft local regulations and rules within their authorities and to draw up administration regulations and other standardized documents in order to gradually establish local rules and regulations which can meet the need of conducting reforms, opening to the outside world, and developing the commodity economy. Attention should be paid to conducting supervision and inspection over the implementation of the law and strictly implementing the law enforcement responsibility system to ensure the enforcement of the state law, rules, and regulations in various administrative districts. A good job should be done in unswervingly conducting education on popularizing legal knowledge to vigorously foster or upgrade the citizens' awareness of the law. Localities which have been relatively slow in popularizing legal systems should strengthen their measures to accelerate the pace in work and those where have been relatively rapid in the work should pay attention to enhancing their propaganda and educational work on rules and regulations among various industries and trades. Leading cadres at all levels should take the lead in studying, abiding by, applying, and in enforcing the law. Efforts should be made to organize various forces to successfully carry out theoretical research and to train talented personnel for the building of legal systems, as well as to reinforce the the government organs in charge of legal systems and the rank of personnel in charge of political and legal work. We should continuously uphold the principle of consolidating public security in a comprehensive way by achieving a combination among the tasks of "dealing blows to crimes, preventing crimes, conducting management, and of building legal systems;" and deal strict blows to serious criminals and economic crimes to ensure a stable turn for the better in social order and public security.

C. Efforts should be made to deeply conduct education on the "four have's." The work of conducting education on ideals should be based on upgrading the people's realm of thought, enhancing the people's sense in being the masters of the country, heighteninx the spirit of selflessly devoting to the undertakings of making the Chinese nation prosperous and the country wealthy, directing cadres and the masses to integrate their far-reaching ideals with the immediate target, and on successfully performing duties. In conducting education on morality, we should chiefly foster fine social public morality and professional ethics. Efforts should be made to stress the social morale of cherishing the country and collectives, respecting the old and loving children, fostering unity and mutual assistance, and of taking up the cudgels for a just cause. Various industries and trades should formulate or improve their own standard of professional ethics, deeply carry out the emulation drive to build civilized units and render outstanding services, and should resolutely correct the malpractices with their own characteristics. Both urban and rural areas throughout the province should vigorously carry out the activities of transforming social traditions and do away with or prevent the out-dated habits and acts violating the law,

such as holding extravagant funerals or wedding parties, indulging in feudalist or superstitious habits, engaging in mercenary marriage, indulging in gambling, and involving in fightings. Efforts should be made to enhance ideological and political work and to vigorously explore or grasp ohe law of ideoloxical and political work in the initial stage of socialism. We should also enhance our sense of national defense and do a good job in conducting the work of militia reserve forces and continuously and extensively carry out the joint campaign between armymen and civilians, between policemen and civilians, and between workers and peasants, and of building civilization in order to build more "five good" households and more civilized units, neighborhoods, and cities.

D. We should actively develop all socialist undertakings, and achieve a new progress in all undertakings, including the cultural, public health, sports, press and publication, radio, film and television, library archives, local history, and social security undertakings. We should continue to implement the principle of "letting a hundred flowers to blossom and a hundred schools of thought to contend," advocate the practice of encouraging literary and art workers to go deeply into the reality of life to reflect our great era and the great people, and to produce more and better spiritual products. It is necessary to actively promote all kinds of reforms in literary and art organizations, and vigorously develop part-time literary and art contingents in an effort to invigorate the cultural life of the urban and rural people. In public health work, we should implement the principle of taking prevention first and combining prevention with treatment, accelerate reform of the medical and health-care system, adopt various methods to run medical undertakings, develop family-based beds for pztients, and achieve big progress in preventing and treating diseases, improving service, and invigorating the Chinese traditional medicines. We should pay attention to the trend of the aging population and actively study and adopt countermeasures. We should extensively conduct mass sports activities, and strengthen the building of sports contingents and sports facilities. This work should be first started among the young people and children. It is necessary to actively select and train competent sportsmen and strive to comprehensively invigorate our province's sports undertakings.

Fellow deputies: The key to fulfilling all tasks for the next 5 years and realizing our province's second economic target of quadruping the industrial and agricultural output value is to deeply study the spirit of the 13th party congress and do a good job in combining the spirit of the 13th party congress with Shandong's reality. The 13th party congress is a meeting of great significance and profound influence in our party history. Comrade Zhao Ziyang's report is a programmatic document for building socialism with Chinese characteristics. We should consider the study and implementation of the spirit of the 13th party congress as the task of prime importance for a certain period in the future. We should deeply realize

the theory for the initial stage of socialism, resolutely discard things that shackle the development of productive forces and are mistakenly understood as things of a socialist nature, and define that developing productive forces is the fundamental criterion for testing all work. We should also deeply understand the basic line of the party during the initial stage of socialism, persist in the central task of economic development and the two basic points, and persist in self-reliance and pioneering our work through hard work. It is necessary to fully understand that reform is the impetus for promoting all fields of work and to actively participate in the great practice of reform and opening up. We should enhance our understanding of the importance of scientific and technological progress and development of intellectual resources, give strategic importance to developing scientific, technological, and educational undertakings, fully understand the conditions in the province, cities, and counties in line with the strategy for economic development set forth at the 13th party congress, define the strategic objective, orientation, and the best way for economic development in the province and our own localities, and realistically organize forces to put them into practice.

The year 1988 will be the first year for the next provincial government to begin carrying out its work. Therefore, conscientiously improving this year's work has an important bearing on successfully accomplishing the task in the next 5 years and further realizing the second fighting goal of the economic construction. In line with the reality of stabilizing the economy and goods prices, in the new year, the state will adopt measures for tightening up finance and credits in order to gear the needs of the overall situation of the country. However, this has brought about pressure and impetus to us. We must accelerate and deepen reform; continuously deepen the campaign of increasing production, practicing economy, increasing revenues, and reducing expenditures; correctly handle the relationship between reform and construction, between macroeconomic control and microeconomic flexibility, between the work of tightening up finance and the economic development, and between speed and efficiency; work under the guidance of the state overall program to further enliven enterprises, capital, circulation, and rural economy; and strive to seek vitality in the course of stabilizing the economy and to increase revenue through tightening up finance. A special report on the (draft) plan for national economic and social development will be submitted to the congress session. According to preliminary arrangements, the 1988 GNP should show an increase of 7.9 percent over 1987, the national income should increase by 7.6 percent, the total industrial and agricultural output value should increase by 8.4 percent, revenue should increase by 7.16 percent, and 85 percent of the industrial products should steadily upgrade their quality, the per-unit material consumption should be reduced by 2 percent, and the administrative institutions' public expenses should be reduced by 5 percent, and the administrative institutions' public expenses should be reduced by 5

percent. Meanwhile, all localities, departments, and units throughout the province should define targets for economic and social development, work out feasible measures for implementing these targets, and rely on the gigantic enthusiasm of the masses radiated through deepening reform to comprehensively fulfill all tasks for 1988.

Fellow deputies! We have achieved success in the first step of the course of modernization. The ideological, material, and external environment conditions at present are much better than those in the beginning stage of the first economic doubling goal. We must be full of confidence since we have perfect conditions for prefilling the second economic doubling goal. Therefore, under the guidance of the guidelines of the 13th party congress, the vast number of workers, peasants, cadres, intellectuals, PLA commanders and fighters, and patriotic personages should further closely be united; carry forward the spirit of forging ahead, doing pioneering work, and blazing new trails, fearing no difficulties, bravely making advance, self-reliance, arduous struggle, making the country prosperous, and tenacious struggle and work unswervingly in order to realize the province's second strategic goal of the economic construction.

Shandong: Guo Changcai's Financial Budgetary Report

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[“Excerpts” of report on the implementation of the 1987 Shandong Provincial financial budgets and on the 1988 draft financial budgets, given by Guo Changcai, director of the Shandong Provincial Financial Department, at the first session of the seventh Shandong Provincial People's Congress on 25 January]

[Text] 1. The Implementation of the 1987 Financial Budgets

In 1987, under the leadership of the party committee and government, the people throughout the province conscientiously implemented various principles, and policies of the party and country, focused their work on economic construction, adhered to the four cardinal principles, reform, and opening up, deeply conducted the campaign to increase production, practice economy, increase revenues, and reduce expenditures, witnessed a better political and economic situation, remarkably increased financial revenues, and overfulfilled all tasks assigned by the state. In financial expenditure, we realized the targets set in the budget, better guaranteed the needs of reform and development of all undertakings, and succeeded in achieving a balance between revenue and expenditure with a small surplus during the year, thus successfully attaining the targets set by the resolution of the fifth session of the sixth provincial People's Congress. The annual revenue reached 7.276 billion yuan, which was 104.18 percent of the budget, showing an increase of 17.41 percent over the previous year. The

annual expenditure reached 7.55 billion yuan, which was 96.18 percent of the budget, showing an increase of 11.83 percent over the previous year. If the price subsidies for grain, cotton, oil, and relief funds were excluded, the normal expenditure would increase by 7.24 percent.

The comparatively good implementation of the financial budgets comprehensively reflected the development of the national economy and all social undertakings. It resulted from the effective measures adopted by party committees, the people's congresses, and governments at all levels and their efforts to strengthen leadership.

First, the deepening of the campaign to increase production, practice economy, increase revenues, and reduce expenditures effectively promoted the fulfillment of the financial revenue and expenditure tasks. Last year, all localities and departments considered this campaign as their central tasks, and achieved remarkable results in this regard.

Second, we actively promoted the contract responsibility system in business operations among enterprises and the financial structural contract method, and better mobilized the enthusiasm of all quarters. More than 1,200 local state industrial enterprises throughout the province implemented the contract systems and most of them overfulfilled their contract targets. They succeeded in remarkably raising their production rate and economic results and increasing the revenue of the state, the collectives, and the individuals. According to initial statistics, these enterprises increase output value by 17.4 percent, created profits and taxes by 34.1 percent, and increased financial revenue delivery by 20.7 percent, enterprise profit retention by 27.8 percent, and the total amount of wages of workers and staffers by 18.2 percent.

Third, we further strengthened tax revenue work and guaranteed a steady growth in financial revenues.

Fourth, we persisted in grasping the work early, diligently, and strictly, and of solving problems concerning a balance between financial revenue and expenditure in a timely manner. Last year, leaders at all levels unified their thinking on financial balance, adopted a resolute attitude, and grasped the work firmly and meticulously from arranging the budgets to their implementation. Many localities analyzed the balanced situation monthly or seasonally organized financial activities in line with the principle of keeping expenditure within the limits of income, and grasped financial expenditure.

At present, our province's financial situation is generally good. However, we should recognize that during the process of reform and construction, the situation of a tight finance and sharp contradictions between the supply and demands of funds will continue for a long time. There are many financial difficulties; and financial balance is not stable enough. In addition, in the future, some new factors of reducing revenue and increasing expenditure will emerge. Financial difficulties will be

greater in some localities with a weak industrial foundation. Some practical problems will exist in the work and living conditions of some units. Efforts from all quarters are urged to actively and gradually solve these problems. Therefore, we should be mentally prepared for our tight policy for a longer period.

Some problems remained in our work. Major indicators were: 1) Economic efficiency of some enterprises was not good enough. Viewing the province-wide situation, profits netted and handed over to the state by state-run commercial departments and by communications and transportation enterprises showed a downward trend. This resulted from the changes in the objective economic situation and from the problems in management and operation. 2) Supervision over financial management was not effective enough in some fields, financial loopholes remained, discipline violation cases occurred frequently, and some units violated regulations repeatedly, thus causing losses to the state. 3) Some localities and units refused to practice economy, blindly pursued high targets regardless of the reality, and indulged in extravagance and waste. All these problems should be solved through great efforts in the future.

2. Draft Financial Budget for 1988

In accordance with the central authorities' principles of further stabilizing the economy and deepening reform, with the financial task assigned by the state to our province, and with the demands of the provincial economic and social development plan, the principles for the essential breakdown for the 1988 financial budget are as follows: By deepening reform and launching the campaign of "increasing production, practicing economy, increasing revenues, and reducing expenditures," we should increase economic results and ensure a stable growth in financial revenue; we should make a reasonable breakdown for expenditure and use of funds, and make overall arrangements for this work in order to ensure the financial resources of reform and key projects and ensure a benign economic cycle; and we should strive to keep expenditure within the limits of revenue in a bid to strike a balance between revenue and expenditure.

In accordance with the target assigned to our province by the state, the 1988 financial budget projects total revenue at 7.797 billion yuan, an increase of 7.16 percent over the figure of the actually implemented budget. Of this, revenue from industrial and commercial taxes totalled 6.812 billion yuan, a 9.36-percent increase; from enterprises, 416 million yuan, a decline of 14.04 percent; and from agricultural taxes, 265 million yuan, a decline of 2.56 percent. In addition, the state has assigned to our province the task of subscribing for 485 million yuan of treasury bonds, a 40.93-percent increase over the previous year.

In line with the budgeted revenue and the available funds calculated in terms of the recent financial items, the 1988 budget projects the expenditure at 6.425 billion yuan, an 8.04-percent increase over the figure of the actually implemented budget for 1987. This increase rate should be regarded appropriate under the general situation. However, there are quite a few factors for increasing expenditure this year. For instance, this year the province will increase wages for primary and middle school teachers; will appoint full-time technicians on a contract basis, will give assignments to university and college students, and will provide jobs for military cadres transferred to civilian service. Deducting these factors, expenditure in other fields will also be very tight. Therefore, in making a breakdown for expenditure, we should implement the central authorities' policies concerning "tightening up" finance and credit, and, at the same time, strive to allow flexibility in the course of tightening up finance, and give guarantees to key projects and restrictions to non-key projects. In making arrangement for construction and production funds, we should allow flexibility for production funds, and impose restrictions on investment in fixed assets. In arranging for the investment in fixed assets, we should allow flexibility for investment in technological transformation, and tighten up the investment in capital construction. In arranging for various administrative expenses, we should appropriately increase the input in science and technology, education, and agriculture, give consideration to the expenses of public security organs, procuratorial organs, and people's courts with the purpose of handling cases, and tighten up the ordinary operational and administrative expenses. In addition, we should give guarantee to individual expenses, and reduce various subsidies. Necessary expenses for public utilities should be maintained, and extravagant expenditures should be controlled.

Generally speaking, the essential breakdown for the 1988 budget is positive and appropriate. However, there is still a big gap between the budget and the demands of various fields. Now, I would like to give an explanation on some conspicuous problems which should be solved at present.

A. The issue concerning agricultural input. Agriculture is an important foundation for the national economy. To increase the strength for a sustained agricultural development, we should first rely on policies and reforms, and second on science and technology, and should also increase the input into agriculture, and improve production conditions. As far as financial resources are concerned, we have increased substantially the funds for agricultural capital construction, the funds for supporting underdeveloped areas, the expenses for supporting agricultural production, and the funds for farming, forestry, and irrigation projects every year over the past few years. The year's budgetary growth rates of these funds and expenses are also higher than the average growth rate of the expenditure.

B. The issue concerning technical transformation funds and capital construction expenses of enterprises. The

budgetary funds for the technical transformation of enterprises have been comparatively small over the past few years, but the state has adopted several policy measures to increase the fund resources. The first is to give enterprises more financial autonomy, and increase their profit sharing. The second is to institute the system of depreciation of fixed assets by category, and increase the funds for equipment renewal. The third is to reduce the regulatory taxes levied from state enterprises. The fourth is to allow enterprises to pay back some of their loans for the projects involving technical transformation measures before paying taxes in line with stipulations. These measures will enable the local state industrial enterprises throughout the province to have more than 2 billion yuan of funds for technical transformation a year. With regard to the expenses on capital construction, the budget is arranged in such a way that key projects are guaranteed as much as possible, and ordinary projects are resolutely reduced, in line with the requirement for ensuring key, planned, and productive projects and reducing nonessential, unplanned, and nonproductive ones.

C. The issue concerning the investment in intellectual resources. According to financial arrangements, the funds for cultural, educational, scientific, and public health undertakings have substantially increased every year over the past few years. In particular, when arranging the budget, emphasis has been given to science and education. In line with the requirement for "developing Shandong through science and education," the expenses on these areas will continue to increase in the future. We should conscientiously strengthen the collection and management of funds for these areas, and enable such funds to yield more returns.

D. The issue concerning the expenses for environmental protection. It is a very important task to protect the environment well, treat and eliminate pollution, maintain an ecological balance, and safeguard the people's health. Therefore, the state stipulates that pollutant discharge fees should be collected. Collection of such special fees, totaling more than 100 million yuan a year, guarantees the source of funds for environmental protection. We should strengthen and improve the management of funds so that they can yield results, and can treat pollution more rapidly. In the future, strict demands should be set on new projects in line with the regulations related to environmental protection so as to prevent new pollution.

The tasks for fulfilling the 1988 budget are rather arduous, but there are still many favorable conditions. The thorough implementation of the guidelines of the 13th party congress will play an immense role in promoting the entire financial and economic work; the deepening of reforms in the various fields will effectively stimulate enterprises to improve management and economic results; and the further intensification of the campaign

for increasing production, practicing economy, increasing revenues, and reducing expenditures will also provide favorable conditions for financial departments to organize revenue and control expenditure. As long as we have confidence, and carry out our work in a down-to-earth manner, this year's budget will be fulfilled.

3. Strive to Successfully Fulfill the 1988 Budget

The guiding ideology for the 1988 financial work is to strive to improve economic results, and resolutely maintain a financial balance, with the development of productive forces as the general goal, the deepening of reform as the motive force, and the campaign for increasing production, practicing economy, increasing revenues, and reducing expenditures as the central task. We should unify our thinking and muster our efforts to achieve a success in the following work.

A. It is necessary to carry out the campaign for increasing production, practicing economy, increasing revenues, and reducing expenditures more extensively and thoroughly. The various localities and departments should conscientiously study and formulate specific plans based on their actual conditions. In line with the state requirement, state industrial enterprises should make sure that their annual material consumption for per-unit product is reduced by 2 percent from that of the previous year, and their enterprise management fund and the flexible part of the workshop fund are reduced by 10 percent. The commercial circulation expense should be reduced by 1 percent, and the turnover of circulating funds should be further accelerated. Funds of administrative units and institutions for public services should be reduced at least by 5 percent from the actual expenses of the previous year. We should conscientiously summarize and popularize typical experiences, solve the problems in our work in a timely manner, and further intensify the campaign on a long-term basis.

B. It is necessary to make a success of the financial reform, and support and facilitate the economic and political structural reforms. Based on the actual conditions of our province, we should emphasize the reforms in the following fields this year. First, we should further improve the contracted management responsibility system of enterprises. Enterprises which have not enforced the system should actively create favorable conditions for instituting the system according to stipulated scope and methods. Second, we should continue to improve the financial management system. The province's fixed-quota revenue sharing system toward cities and prefectures will not change in the next few years as long as the system of the central authorities toward the province does not have a great change. The emphasis of this year's work is to improve the fixed-quota revenue sharing system of cities and prefectures toward counties. Counties are where cities and the countryside connect, and are the bridge between cities and the countryside. At present the county-level revenue is still the foundation of the state revenue, and therefore county-level financial power

and financial resources should be expanded to a proper extent. Efforts should be stepped up to correct the systems incompatible with the fixed-quota revenue sharing system toward counties. Third, we should continue the method of allocating subsidies in advance to the counties which have financial deficits. There are 50 such counties in our province, whose weak financial strength affects our economy and other undertakings. To help these counties change the situation of financial deficits, subsidies have been allocated to them in advance group after group at different times beginning in 1986 to help them develop production and open up financial resources, using the "grain ration" as the "seeds," and changing "blood transfusion" into "blood production." Fourth, we should develop financial credit. From now on, we should further expand the credit business, and adopt proper measures to strengthen management and improve the results of the funds. Meanwhile, we should circulate budgetary and extra-budgetary funds in more spheres, develop the various types of working funds, and gradually establish a state bond management mechanism so that the financial credit business can be expanded continuously and can support the development of the commodity economy in a better way.

C. It is necessary to strengthen tax collection and management, and exert great efforts to organize revenue. Taxes are an important tool for the state to regulate the economy, accumulate funds, and promote construction. Following the continuous deepening of reform, the various sectors of the economy have developed gradually, and new categories of taxes have been opened. This makes the tax collection and management task become increasingly heavier. We should further strengthen tax collection, strictly enforce the tax collection law and discipline, intensify the publicity of tax law, and enhance the people's sense of tax payment. All tax paying units and individuals should report their production, business, and income to tax organs in line with the stipulations of the state tax law, pay their taxes according to law, and fulfill their obligations to support the state construction. Financial and tax departments at various levels should closely coordinate with industrial and commercial administrative, economic managerial, supervisory, auditing, public security, procuratorial, and judicial departments, act according to law, perform their functions and responsibilities, and resolutely struggle against tax evasion and other law and discipline violations. We should strictly punish according to law the unlawful elements who refuse to pay taxes, attack tax organs, and beat up tax cadres so as to ensure the smooth progress of tax work, and the fulfillment of the tax collection task.

D. We should try to strictly control and make strenuous efforts to reduce financial expenditure. To fulfill this year's budgetary tasks, we should continue to strictly control financial expenditure while developing production, expanding financial resources, and actively organizing revenue. The financial departments at all levels should keep expenditure within the limits of income and manage things according to their financial capacity.

Capital construction investment raised by the localities should be included in the capital construction plan. We should strictly control the scope of investment in capital construction, stop the construction of unauthorized projects, and forbid the arbitrary building of guesthouses and hotels. We should resolutely allocate funds to administrative organs, establishments, and units according to the approved size of the projects. All societies, associations, small-sized newspapers, periodicals, and magazines should be responsible for their own income and expenditures and should not rely on allocation of funds from the financial departments. Organs that are merely administrative bodies should be sorted out and consolidated and be changed into economic entities if possible, or be abolished when necessary. This will help us to gradually reduce allocation of financial funds. It is necessary to further strengthen the work of controlling group purchasing power, actively reduce meeting funds, and fees for business trips and printing, change workstyle, persist in working diligently and practicing economy, and oppose extravagance and waste. We should further improve the method of being responsible for the implementation of budgets, persist in saving the surplus funds for future work and giving no subsidies for overspending, and fully mobilize the enthusiasm of administrative organs, establishments, and units in managing their own money.

E. We should fully display the functional role of financial and tax revenue in reform and construction. With the unceasing deepening of economic development and reform, the functional role of financial and tax revenue has become more important. We must have financial strength for developing productive forces and accelerating the four modernization construction, and have financial resources as the backup forces for deepening reform. The more we invigorate the economy, the more we should strengthen supervision over financial affairs. The way to develop undertakings and to manage more things under the situation of financial difficulties is to develop the economy, increase income, and reduce expenditure, fully display the superiority of the financial contract system, and solve the problems of funds by increasing revenue and practicing economy. It is hoped that all trades and professions will care for and support financial and tax revenue work, give consideration to the overall situation, take the initiative in sharing the difficulties and work with concerted efforts to successfully carry out financial and tax revenue work. Financial and tax departments at all levels and all cadres in charge of financial and tax affairs should conscientiously study and implement the guidelines of the 13th party congress, persist in reform, be brave to blaze new trails, be active in forging ahead, strive to cope with the new situation of reform and opening up, unceasingly find new ways to create, accumulate, and use financial resources, and raise the level of their work. At the same time, we should strengthen the building of contingents of financial and taxation workers, improve the quality of cadres, prevent and overcome bureaucracy, resist and correct all kinds of unhealthy trends, strive to cultivate a contingent of

financial and taxation workers who are well-versed in professional knowledge, manage things justly and work honestly, and provide good service for reform and a sound economic development.

Our province's present situation is excellent. Our economy is being developed and our reform is being deeply carried out. All trades and professions are striving to create new achievements. We firmly believe that, inspired by the spirit of the 13th party congress, the people throughout the province will conscientiously implement the resolutions of this congress, pioneer their cause through self-reliance and work hard, and successfully fulfill the 1988 financial budgets.

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["Excerpts" of the report on Shandong Province's draft plan for the national economic and social development in 1988, delivered by Wang Xin, chairman of the provincial Planning Commission, at the first session of the seventh provincial People's Congress on 25 January 1988]

[Text] 1. Implementation of the 1987 Plan

In 1987, in line with the provincial plan for economic and social development adopted by the fifth session of the sixth provincial People's Congress, the provincial government conscientiously implemented the principles of reform, opening-up, and economic invigoration, and formulated and perfected a series of policies and measures for developing the commodity economy by focusing on economic construction and proceeding from the province's reality. As a result, the province made new progress in the various reforms and construction projects, and attained the task of doubling the targets 3 years ahead of schedule.

A. A comprehensive bumper harvest in agriculture was reaped, the rural industry increased substantially, and the developmental agricultural construction was carried out initially. In 1987, the provincial government paid utmost attention to strengthening the basic role of agriculture, and gave prominence to the work in the following three fields: 1) Deepen the rural reform, and promote development with reform. 2) Give different guidances to different cases, and promote the developmental agricultural construction. 3) Increase input in agriculture from many fields, and improve the conditions for agricultural production. As a result, the construction of the water conservancy works witnessed a good trend unprecedented since 1980. The 1987 provincial total agricultural output value is estimated at 29.2 billion yuan, showing an increase of 5.2 percent over the previous year, or exceeding the projected increase rate of 3 percent.

The rural industry emerged as a new force, and has already become an important pillar of the province's economic development. The 1987 provincial total output value of the rural industry is estimated to top 30 billion yuan, fulfilling the plan by 123 percent, showing an increase of 43 percent over the previous year, and accounting for 34 percent of the province's total industrial output value. In the total newly added output value in industry, more than 50 percent came from the rural industry.

The developmental agricultural construction was carried out initially, and various fields paid attention to increasing input in agriculture. In 1987, the provincial government attached importance to the comprehensive agricultural development, worked out plans for this work, and organized the people to implement these plans, thus promoting the construction of developmental agricultural projects. In addition, more investments were made in building developmental agricultural projects.

B. On the premise of increasing economic results, the province maintained a high growth rate in industrial production. The 1987 provincial output value in industry is estimated at 87 billion yuan, an increase of 20.7 percent over the previous year, or exceeding the projected growth rate of 8 percent.

C. Investment structure was readjusted somewhat, and the construction of key projects was accelerated. In 1987, the provincial government conscientiously implemented the State Council's principle of "three guarantees and three restrictions," reduced the scale of capital construction, readjusted investment structure, and raised funds from various circles to ensure the construction of key projects, power industrial projects in particular, thus yielding relatively good results in this regard. In the total volume of investment in the whole people-owned capital construction projects, the proportion of investment in productive projects rose from 71 percent in 1986 to 81.6 percent in 1987. Of this, the investment in energy and communications projects increased by 13.5 percent over the previous year. Construction of key projects was strengthened. In 1987, 98.2 percent of the projected investment was made in 44 large and medium-sized projects which were under construction. Of this, 98.5 percent of investment was made in the 13 state key projects which were built in line with reasonable construction period.

D. The pace of developing the export-oriented economy was accelerated, and foreign exchange earned from exports increased by a large margin. The provincial government regarded the development of the export-oriented economy as a major policy decision for invigorating Shandong's economy. The provincial government also formulated corresponding policies and measures to accelerate the development of the export-oriented economy. As a result, foreign exchange earned from exports and the volume of commodities procured for exports increased substantially. In 1987, the province earned

\$2.97 billion from exports, overfulfilling the plan by 38 percent, or showing an increase of 39.1 percent over the previous year. By the end of last November, the province newly signed 163 agreements (contracts) on utilization of foreign capital, with the value of foreign capital amounting to \$296 million, registering a 300-percent increase over the corresponding period of the previous year. In 1987, the province actually utilized \$91 million of foreign capital, a 20-percent increase over the corresponding period of the previous year. Construction of the Qingdao and Yantai economic and technological development zones was further accelerated, and investment climate there improved further.

E. Notable achievements were scored in increasing revenue and reducing expenditure, and the results in credit fund utilization were improved. Thanks to the extensive campaign for increasing production, practicing economy, increasing revenues, and reducing expenditures, and all possible means to expand our financial resources and to reduce expenses, the 1987 financial situation was better than expected. The revenue is expected at 7.276 billion yuan, equivalent to 104.18 percent of the annual budget, increasing by 17.41 percent over the previous year, and exceeding the 12.1-percent growth rate as planned. The expenditure is expected at 7.55 billion yuan, equivalent to 96.18 percent of the annual budget. In this way, a financial balance was achieved, with a small surplus.

F. New progress was made in various social undertakings. Fairly good results were achieved in scientific and technological work thanks to the implementation of the principles of deepening reform and of orienting our work to the needs of economic construction. Throughout the province, 1,525 important scientific and technological achievements were scored, 78 projects of the "spark program," with the investment of 156 million yuan, were arranged and carried out, and more than 50,000 scientific and technical personnel went to township enterprises to assume full-time or part-time work, thus promoting the development of the rural economy, in particular the township enterprises. In education, we focused our work on strengthening and improving teaching conditions, adjusting the structure, and improving educational quality in line with the requirement for carrying out reform persistently, and achieving an active and stable development, and achieved very good results. The teaching conditions of the primary and middle schools in the rural areas throughout the province were greatly improved. In physical culture and sports, we attained the fighting goal of "achieving outstanding results in 4 years," and reaped a good harvest in both the scores and the spiritual civilization at the sixth national games. Fairly good results were also achieved in public health, culture, radio and television, press, publication, and other undertakings, thus promoting the socialist spiritual civilization of our province.

G. The living standard of the people continued to improve, and urban and rural markets continued to thrive. On the basis of a development of industrial and

agricultural production, the per-capita cost of living income of urban residents throughout the province is expected to reach 930 yuan, a 14.9-percent increase over the previous year. The actual growth would be 4.6 percent when price increases are calculated in. The per-capita net income of the peasants is expected to reach 495 yuan, a 10.2-percent increase over the previous year. When price increases are calculated in, the actual growth rate would be 3 percent. With an increase in both production and the income of urban and rural people, urban and rural markets continued to thrive. The retail sales of commodities reached 36.99 billion yuan, 15.5 percent more than the previous year. The year-end savings deposits of urban and rural people reached 24.24 billion yuan, an increase of 38.1 percent over the previous year, and an annual net growth of 6.6 billion yuan.

Despite the great achievements in the 1987 national economic and social development, some problems in the economic development calling for urgent solution still existed. The first was the substantial price increases. The general retail price index of the year is expected to grow by approximately 8 percent. The second was that agriculture, which is the foundation, was not stable enough, the level of intensive farming was rather low, the ability to resist natural adversities was poor, and the reserve strength for advancing to a new stage was insufficient. The third was that the production setup and product mix of industries were incompatible with the changes in social demand, industrial and commercial enterprise management was poor, too much funds were tied up in irrationally overstocked goods, and the results of economic activities were poor. The fourth was that in the process of replacing the old economic operational mechanism with the new, the macroeconomic regulation and control, and the microeconomic activities could not meet the needs of the new situation. Energy resources, in particular electricity, increased greatly, but still could not catch up with the growth of demand. In the process of organizing and implementing the 1988 plan, we will adopt correct policies and measures to conscientiously solve these problems.

2. The Major Tasks and Targets for the 1988 Economic Plan

The year 1988 is a year to comprehensively implement the spirit of the 13th party congress, to speed up and deepen reform, and to use reform to promote development, to increase efficiency, and to make progress. It is also a year to make a good start and to lay a good foundation for realizing our province's second doubling target for national economy. The general guidelines and demands of the 1988 national economic and social development are to resolutely implement the central principle of "further stabilizing the economy, and deepening reform," adhere to the strategy for economic development which calls for "paying attention to efficiency, raising quality, and achieving a coordinated development and steady growth," speed up and deepen reform, actively promote scientific and technological

progress, strenuously develop the export-oriented economy, and on the premise of raising the efficiency of the whole economy, strive to stabilize the economy while increasing the economy and to tighten up the economy while invigorating the economy, keep the present good trend of development, and make a good start for the second doubling target. The initial arrangements for the major targets are:

The GNP should increase by 7.9 percent to reach 67.6 billion yuan.

The national income should increase by 7.6 percent to reach 59.2 billion yuan.

The total industrial and agricultural output value should increase by 8.4 percent to reach 126.4 billion yuan.

Of this, the total output value of agriculture should increase by 3.5 percent to reach 30.2 billion yuan; and that of industry, increase by 10 percent to reach 96.2 billion yuan. We should strive to surpass these targets while carrying out this fields of work.

The financial revenue should increase by 7.16 percent in an effort to achieve a balance between revenue and expenditure during the year.

The scope of investment of fixed assets made by the localities and the whole society should be 13.2 billion yuan and should be generally maintained at the 1987 planned level.

Under the plan, the export of local products should create \$1.771 billion, a 4.2-percent increase over 1987.

The total retail sales of commodities should increase by 12.3 percent to reach 41.5 billion yuan. The price index of market retail sales of commodities should be lower than the 1987 level.

The provincial-level ordinary institutions of higher learning should enroll 24,700 students, an increase of 2.5 percent.

The average wages of staffers and workers should actually increase by 2 percent; and the average per-capita income of peasants should increase by 8 percent.

The natural population growth rate should be controlled within 12 per thousand.

3. The Emphasis of National Economic and Social Development in 1988

A. We should strengthen agriculture and consider it as an important strategic point in the national economic development. To increase the overall social supply, first of all, we should increase the production and supply of all farm and sideline products, particularly grain. Under the plan, this year's grain output should reach 32.25

million tons, an increase of 50 million kg over last year's plan. While guaranteeing a steady increase in grain, we should actively develop the production of cash crops. Under the plan, the output of peanuts should reach 2.5 million tons, showing an actual increase of 352,500 tons over last year. We should rationally plant cash crops and strive to increase output. While actively developing the cropping industry, we should strive to achieve a new breakthrough in forestry, animal husbandry, sideline production, fisheries, and all other undertakings.

To strengthen agriculture and intensify agricultural momentum, we should first rely on policies and reform, second on science and technology, and third on improving production conditions. This year we should establish and perfect the service system throughout the whole course of production, develop integrated business in which agriculture serves the processing industry, and the processing industry serves foreign trade, and in which commerce serves industry and industry serves agriculture, implement the system of rationally sharing profits and mutually subsidizing one another among the integrated operational entities, and gradually change the practice of operating rural industrial enterprises to support agricultural production into one of using industry to promote and develop agriculture. Popularizing and applying science and technology is one of the important measures for raising agricultural benefits and strengthening agricultural momentum. This year we should achieve greater results in implementing the "spark plan," and applying new technology, improve agricultural and technological popularization system, and actively train peasants to become competent scientific and technical personnel. To improve agricultural production conditions, the state, all localities, township enterprises, peasants, and individuals should increase agricultural input. However, this fund should be mainly accumulated by peasants themselves. Under the plan, this year's investment in farmland capital construction should reach 119 million yuan, an increase of 10.45 million yuan over last year.

To maintain a sustained and stable growth in agriculture, this year we should lay a solid foundation to comprehensively develop agriculture, and should strive to yield initial results the same year. First, we should fully tap the potential of the existing 105 million mu of cultivated areas, give prominence to reforming 70 million mu of moderate- and low-yield farmland, and control and develop the Huang He, the Huai He, and the Hai He plains by stages. Second, we should accelerate the development of the 46 million mu of barren hills, barren hill slopes, and grassland. Third, we should develop in a planned manner the coastal beaches, islands, and fresh water areas, and should vigorously develop the aquatic products breeding industry. This year, the province plans to add 203,000 mu of marine products breeding acreage, and the 173 million yuan of special loans issued by the central and the provincial authorities for developing the coastal beach areas will be primarily used to

breed prawns, scallops, and other valuable marine products, and to increase the per-unit output and improve the quality of marine products.

B. We should positively support, correctly guide, and vigorously develop town and township enterprises. Town and township enterprises have already become a major pillar of the province's economic development. The 1988 economic plan projects the total output value of town and township enterprises at 48 billion yuan, a 20-percent increase over the previous year. Of this, the total output value of the rural industry is projected at 36 billion yuan, a 20-percent increase over the previous year. We should continue to maintain the current good trend. In developing town and township enterprises, we should proceed from the local situation, and should encourage townships, villages, integrated households, and individuals to make concerted efforts to develop the processing of agricultural and sideline products in order to serve the large-scale industry. We should strive to expand the production of export products in a bid to effect a new progress in industry, commerce, construction, transportation, and service trades.

To help town and township enterprises maintain the current good trend, this year we should attend to the following several items of work. First, we should gradually establish a network for buying raw materials, selling products, and providing information for town and township enterprises. Second, we should raise funds for town and township enterprises from various sources, including individually raised funds and the funds of lateral associations, and with the rural credit cooperatives as the predominance. Third, we should vigorously train and bring up a large number of peasant entrepreneurs. Fourth, we should organize, select, and encourage scientists and technicians to go to town and township enterprises to display their skills or to contract enterprises in order to create a new way to combine scientific and technological progress with town and township enterprises. Fifth, we should suit measures to local conditions, pay attention to practical results, and gradually establish a system for training technological and managerial talents for town and township enterprises. Sixth, economic departments at all levels should all foster the viewpoint of large-scale trade, and should strengthen the professional guidance and information service to town and township enterprises.

C. We should readjust and perfect the industrial structure and product mix, by focusing on increasing the production of energy resources, raw materials, and readily marketable products. Over the past few years, power production has developed rapidly; however, the shortage of power supply remains a major factor hindering the development of the national economy. This year, the output of electricity is projected at 36.2 billion kwh, a 10-percent increase over the previous year; while efforts should be made to produce 37 billion kwh of electricity, a 12.5-percent increase over the previous year. Raw materials industrial enterprises should strive to

increase output on the basis of improving product quality and increasing product varieties. The 1988 plan projects the output of steel at 1.65 million tons, a 3.13 percent over the previous year; rolled steel, 1.28 million tons, a 6.7-percent increase; crude oil, 33.5 million tons, a 5.9-percent increase; raw coal, 51.45 million tons, a 7.2-percent increase; and cement, 15.6 million tons, a 7.9-percent increase.

The consumer goods industrial enterprises should place emphasis on readjusting product mix, and should vigorously develop the production of readily marketable products, with the emphasis on improving the grade and level of their products and increasing the production of scarce and readily marketable products. In particular, these enterprises should strive to increase the production of quality and top-brand products, develop new products, and increase the varieties of products with a view to suiting the demands of international and domestic markets.

D. We should strictly control the scope of fixed asset investment, readjust the investment pattern, ensure key projects, and accelerate technical transformation. The general requirement of this year's investment plan is to continue the principle of ensuring key, planned, and productive projects and reducing nonessential, unplanned, and nonproductive ones, bring the scope of investment strictly under control, readjust the investment pattern, ensure key construction, accelerate technical transformation, raise investment returns, and increase the strength for a sustained economic growth.

Key construction projects have a bearing on the strength for a sustained economic growth. This year we plan to arrange 69 key productive projects, of which 44 are continued projects and 18 are new projects, 5 preparatory projects, and pre-stage work for 2 projects. Most of them are energy and raw material projects, and projects in support of the 300,000-ton ethylene project. We should speed up the large and medium-sized projects under construction, and ensure that they are completed and commissioned on schedule.

E. We should earn more foreign exchange through expanded export, use foreign capital in an active and effective manner, and accelerate the development of the export-oriented economy. The purpose of developing the export-oriented economy is to raise our technological and managerial levels through competition in world markets, and earn more foreign exchange through expanded exports. First, we should continue to establish well the export-oriented production networks, with the focus on establishing the export-oriented production bases composed of foreign trade, processing, and agricultural units, and establish enterprise groups led by the key export-oriented enterprises, so that the export goods can become a colonial advantage, and be sold more widely in the world market. Second, we should encourage and support small- and medium-sized enterprises, township enterprises in particular, to exert their greatest efforts to

carry out more processing and assembling with materials and specifications provided by foreign firms, and more compensation trade, and to make use of their abundant manpower resources to actively participate in the great international economic cycle, so that they can sell more products in the world market. Third, we should readjust the export product mix, create favorable conditions to gradually increase the export of industrial goods, in particular intensive- and precision-processed light industrial and textile goods, and electronic and machinery products through accelerating the technical transformation of enterprises, and put more efforts into upgrading product quality so as to earn more foreign exchange through export. Fourth, the cities between which friendly ties have been established should change their friendly ties into economic and technological cooperation, and become substantial economic partners. Fifth, while expanding the export of commodities, we should actively develop tourism, and labor service cooperation with other countries to increase the foreign exchange earned from sources other than trade.

We should further expand the scope of foreign capital utilization and technology import, and work out ways to expand the channels of foreign capital utilization. This year we plan to use \$150 million of foreign capital, an increase of 36.4 percent over the previous year.

F. We should implement the policy of tightening up while invigorating credit, and exert great efforts to increase revenue and reduce expenditure. This year credit funds throughout the province are far from meeting the actual demand. Beginning in this year, industrial and commercial enterprises will be divided into three categories, and policies of extending loans on a priority basis, of extending loans in an appropriate manner, and of recalling loans without extending new loans will be applied to them. The purpose is to promote the readjustments of production setup and product mix through the readjustment of the credit structure. We should guide enterprises to comply their microeconomic activities with the requirements of the state macroeconomic regulation and control, and carry out our work well by all means possible to explore new roads for invigorating fund circulation. First, we should exert great efforts to organize savings deposits, strive to expand the sources of credit funds, and implement the principle of extending more loans when more money is saved. Second, we should increase the ability of enterprises to use their funds rationally. Industrial and commercial enterprises should set their sights inward to tap their own potential for fund resources, and make their existing funds yield more returns. Third, we should further cultivate and improve the money market, and invigorate the circulation of funds in society. We should continue to develop short-term money markets, and expand the multilayered fund circulation channels. Fourth, we should support the enterprises with outstanding performance, and impose restrictions on those with poor performance, and readjust the credit structure. We should support the production of readily marketable goods, and export goods with

funds, and restrict the fund supply for the production of oversupplied and overstocked goods.

G. We should further invigorate circulation and strive to stabilize commodity prices and invigorate the urban and rural markets.

This year we should further expand the circulation channels, persist in encouraging the efforts of the state, the collective, and the individuals, develop and improve the circulation system characterized by various economic sectors, multiple channels, diversified operational methods, and fewer links, establish different kinds of specialized wholesale markets, and guarantee the smooth circulation of industrial and agricultural products.

We should realistically strengthen market consolidation and control over prices. The emphasis of stabilizing commodity prices should be first on guaranteeing supply to residents' "vegetable baskets," and exerting efforts to stabilize the supply and second on the supply of major agricultural capital goods, particularly the "three low-price" materials, and on ensuring the supply to peasants at parity prices. If we grasp these two links well, we will be able to stabilize the overall pricing situation. While developing the planned commodity economy and improving the pricing system, we should continue to relax control over the prices which have already been adjusted; use the price lever to widen the gaps of quality and price differentials for products whose prices are really irrational and affect production development, widen the gaps of seasonal and regional price difference, and increase the production of adjusted-price commodities in short market supply. This is the most basic measure for stabilizing commodity prices and the necessary way to invigorate the commodity economy in line with the demands of the law of value. H. we should persist in "using science and education to invigorate Shandong," and attach primary importance to scientific and technological progress and development of intellectual resources. Backward science and technology and inadequate intellectual resources are the most prominent and weakest links in our province's economic development. The most fundamental way out to achieve the second doubling target is to rely on scientific and technological progress and improvement in the management level. In our strategy for economic development, we should rapidly shift the emphasis to the path of relying on scientific and technological progress and improving the quality of laborers. First, we should accelerate reform of the scientific and technological system, consider the work of relaxing control over scientific research institutes and scientific and technical workers as the province's emphasis in scientific and technological work, and mobilize the enthusiasm of the scientific and technical personnel. Second, we should organize scientific and technical workers to tackle difficult problems in production, transform the weak link of the traditional industries, actively develop new products, and achieve new and tangible progress in the new technological sphere. Third, we should pay attention to the development of

intellectual resources, raise the quality of laborers, actively popularize the 9-year compulsory education, readjust the structure of secondary education, actively develop adult education, and replenish and improve higher education. We should place the work emphasis on strengthening management over schools, improving teaching conditions, and raising the quality of education. Fourth, we should pay special attention to developing intellectual resources among leaders, continue to renew concepts, overcome the ossified and outdated "leftist" ideology, intensify the ideology of reform, and raise our ability to appraise the overall economic situation, and to regulate and control the commodity economy and our level of scientific policymaking. Fifth, we should create a good social habit of respecting trained personnel and knowledge.

We should make new progress in all undertakings, including the cultural, public health, sports, radio and television, and press and publication undertakings.

H. Continued efforts should be made to strenuously grasp the family planning work, and strictly implement the policy of making allowances for giving birth to a second child. It is necessary to implement the system of allowing mayors and county and township heads to assume responsibility, and to protect and support cadres and activists who implement the family planning policy. In view of the fact that we have entered the birth peak period, we should realistically control the natural population growth rate within the plan.

I. Based on the developed production and improved economic results, we should continue to improve the people's livelihood. Under the plan, this year's average per-capita net income of peasants should increase by 8 percent over the previous year. The rural reform should be based on increasing the peasants' income, and opening up more avenues leading to prosperity. We should pay special attention to developing the commodity economy, and help the poverty-stricken areas to shake off poverty. Under the plan, we should realistically increase the average wages of workers and staffers by 2 percent while deducting the rise of commodity prices. We should rely on raising productive forces and improving economic results to increase workers' income.

4. Accelerating and Deepening Reform, and Comprehensively Fulfilling the 1988 Plan.

We should change the strategy for economic and social development this year. To maintain last year's good trend in economic and social development and comprehensively fulfill the 1988 plan, the key lies in accelerating and deepening reform and promoting development with reform.

A. We should gradually establish a new economic operational mechanism under which "the state regulate markets, and markets guide enterprises." The central task is to change the enterprises' operational mechanism; carry

out reforms in the fields of planning, investment, goods and materials, finance, banking, and foreign trade; and cultivate and perfect the market system. This year the focus of enterprise reform should be placed on popularizing and perfecting the contracted management responsibility system and the leasing system, on positively carrying out the shareholding system on an experimental basis, and on guiding enterprises to adapt themselves to the demands of markets and to rapidly establish an operational mechanism which will give them not only incentives but also restrict them.

To cultivate and perfect the market system, we should not only change enterprises' operational mechanism, but also depend on governments' economic departments to conduct organization and coordination. Beginning from this year, regarding the rolled steel produced by the province's metallurgical enterprises, the province will carry out the methods of "unifying marketing prices, refunding price differentials, gradually lifting restrictions, and expanding market," will unify the marketing prices of budgetary and extra-budgetary rolled steel; and will put all rolled steel on the markets subject to the state management. Regarding those enterprises whose rolled steel is subject to the unified distribution, their material distribution will be replaced with price subsidies. In handing over the portion of rolled steel covered by the unified distribution, the provincial metallurgical company will be allowed to hand over the money gained from selling rolled steel at higher prices, instead of handing over rolled steel; and this money will be returned to consumers in line with the distribution plan.

B. We should establish a system on economic efficiency targets. Beginning from this year, the province will try to draw up a plan on economic efficiency targets so that the economic efficiency targets will become an important criterion for guiding economic activities and assessing the management of enterprises. In setting the targets on economic efficiency in the future, we should regard the GNP as a representative target to assess the economic development of various cities and prefectures. Towards industrial enterprises, this year five targets will be assigned, namely, the income from sales of the local state-run industrial enterprises, the rate of profits and taxes from industrial output value, the profit and tax rate of funds, the turnover period of the fixed amount of floating funds, and the rate of reduced cost of comparable products. Towards commercial enterprises, this year two targets will be assigned, namely, the target on the turnover period of floating funds, and the target on the rate of circulation expenses. By drawing up an economic efficiency plan on trial basis and by strengthening the examination over the implementation of the efficiency plan, we should strive to improve the economic efficiency of the production, construction, and circulation of the province.

C. The focus of the reform of the foreign exchange system is to enliven the foreign exchange market, and regulate and invigorate the foreign exchange retained by

our province for its own use. Beginning in this year, the adjusted price will be applied to all the foreign exchange throughout the province, and all foreign exchange should enter the market for adjustment.

D. We should establish a capital construction fund system, and achieve a virtuous circle in the utilization of construction funds. Beginning in this year, we should muster all funds that should be used in capital construction, establish a capital construction fund system, under which a unit should pay back its outstanding loans before applying for new ones, and snowball the funds. We should also organize corresponding investment corporations to take charge of the implementation of the system. To accelerate power construction, the State Council has decided to adopt the method of raising prices, and establish local power construction funds. The provincial government decided that except for the electricity supplied to the people, electricity generated by small thermal power plants, heat and power plant's, and the power plants run by enterprises, and the electricity generated with high-priced coal and oil, all the units whose power is supplied by the Shandong power grid should pay an extra 0.02 yuan for every kilowatt hour of electricity they use, which should be used as local power construction funds. In this way, a stable source of funds will be guaranteed for the province to increase its power generating capacity to 10 million kilowatts by the year 1992.

E. Planning departments at various levels should achieve a new breakthrough in changing their functions, and gradually establish a macroeconomic regulatory and controlling system focusing on indirect management. They should simplify the administration and delegate power to lower levels, allowing cities and prefectures to do what should be done by lower levels. In the first half of this year, they should work in close coordination with relevant departments, and proceed from the actual provincial situation in studying and formulating a new economic development strategy for the province with concentrated efforts.

FINANCE, BANKING

RENMIN RIBAO Urges Establishing Capital Market

HK050826 Beijing RENMIN RIBAO in Chinese
22 Feb 88 p 5

[Article by Zhou Daojiong (0719 6670 3518): "Establish and Develop An Active Capital Market"]

[Text]

The Term Capital Market Should Be Explained in a Broad Sense

To establish and develop an active capital market, we should first answer the following question: What is the connotation of a capital market? Understanding of this

issue varies from understanding in a broad sense to that in a narrow sense. As understanding varies, it affects effective guidance to practice.

In my opinion, explaining China's capital market in a broad sense conforms to China's national conditions and will benefit practice. A capital market in the broad sense refers to a transaction which links capital supply with the user. In other words, it is a summation of capital accommodation. In light of the different forms of credit, a capital market in the broad sense can be divided into a credit market and a transaction market. In a credit market, deposits and loans are generally dealt with between individuals, enterprises, and units on the one hand and the financial organs on the other. Their relationship is based on a regular customer basis and transaction prices are relatively fixed. Transactions are carried out in a transaction market with the participation of many units and individuals. In this market, the customer relationship is free and loose, the interest rates, namely, capital prices are usually determined in the course of the transactions, and the creditor's rights and debt vouchers are transferrable. The stock market, the loan market, and mustering of funds between enterprises which are familiar to all belong to this category.

Why is it necessary to explain the connotation of a capital market in a broad sense? For the following four reasons:

First, it is required to perfect the socialist market system. A capital market is a developing form of an ordinary commodity market which is organically linked with other markets. It also constitutes the conditions for the operation and realization of the markets for commodities, technology, and labor. Without capital which is the "first motive force" or "sustained driving force," it will be impossible to carry out market operation, commodity production, and circulation. As a capital market is a mechanism which links the capital supplier with the user, it should include direct transactions between the user and supplier, namely, direct capital accommodation. It should also include indirect transactions between the user and supplier, namely, indirect capital accommodation. It would not be comprehensive to regard a capital market as direct capital accommodation and to reject indirect capital accommodation. For this reason, it will benefit the perfection of the socialist market system to explain a capital market in a broad sense.

Second, it is determined by the position of indirect capital accommodation. In a capital market, both indirect capital accommodation and direct capital accommodation have their advantages and disadvantages. The proportion of indirect capital accommodation is larger and its service range is extensive in comparison. According to statistics, direct capital accommodation accounts for under one-tenth of indirect capital accommodation. Naturally, this is an indication of our current state of affairs. Direct capital accommodation, which is indispensable for invigorating a capital market, will definitely develop in

the future. From a long-term point of view, it is unlikely that direct capital accommodation will occupy a dominant position. For this reason, while studying a capital market, we have no reason to reject indirect capital accommodation.

Third, it is determined by the close relationship between indirect capital accommodation and direct capital accommodation. Within a given period, the total amount of social capital is fixed and the proportion and flow of capital between direct capital accommodation and indirect capital accommodation are closely related and when one rises, the other falls. Direct capital accommodation and indirect capital accommodation are mutually transformable and can infiltrate each other. For example, when security business prospers, a considerable portion of the securities and stocks may be possessed by the financial organs. Viewed from this angle, we can say that direct capital accommodation is backed by indirect capital accommodation.

Take another example: The banks engaged in long-term investment usually regard the issue of financial bonds as the main source of capital. These financial bonds are mainly purchased by the commercial banks and other financial organs. Here it is difficult to draw a clear distinction as direct capital accommodation and indirect capital accommodation are intermingled. For this reason, direct capital accommodation and indirect capital accommodation constitute a whole in which each influences the other. In a socialist country, it is all the more necessary to comprehensively readjust the relations between the two and maintain an overall balance.

Fourth, it is required by the banks' economic mechanism of indirect capital accommodation. The banks' credit business has developed rapidly in recent years. Of the total supply of capital for production and construction, 68.4 percent comes from the banks, that is, the proportion of the banks and the finance in the distribution of social capital has changed from a 30:70 ratio in the past to a 70:30 ratio. Although the proportion of bank credit in the distribution of social capital has increased drastically, the long-standing traditional method of planned regulation has not changed. The regulative role of banks in the national economy is still weak and the role of market mechanism has not been fully exploited. The purpose of bringing indirect capital accommodation into the category of a capital market and regarding it as an important component of a capital market is to establish the market position of indirect capital accommodation, fundamentally change the current state of affairs of indirect capital accommodation, and fully exploit the role of its inherent market mechanism.

Give Full Play to the Role of a Long-Term Capital Market

A capital market can be divided into long-term and short-term capital markets which can produce different effects and influences on the economy. A short-term

capital market plays an important role in pooling capital, regulating the funds between regions, units, and individuals to meet the short-term needs of capital, and making the most of capital. This is one of the reasons for the rapid development of China's short-term capital markets in recent years. However, a short-term capital market also has its limitations. Generally speaking, it can meet the needs of capital flow of the established industrial setup, but cannot solve the question of lack of coordination in the industrial setup. It also protects to a certain extent the existing industrial setup. When the industrial setup is rational, the role of protection and promotion is useful; but when the industrial setup is irrational, it may produce side effects because short-term capital protects the continuity and development of the irrational industrial setup.

To transform the irrational industrial setup, the most important thing is to readjust the investment structure. The changes in the investment structure depend on the role of a long-term capital market. To change the trade and regional distribution of productive forces, it is necessary to realize the rational flow and distribution of essential production factors through a long-term capital market. The purpose of the key construction bonds and key enterprise bonds issued by China is to realize the rational flow of capital through a long-term capital market and rationalize the investment structure and the industrial setup.

As the role of long and short-term capital markets vary, the two should complement each other and become an integrated socialist capital market system.

As regards China's construction bank, its business is focused on long-term investment. To establish and develop a capital market, a long-term capital market is very important for the construction bank. Proceeding from a planned commodity economy carried out by the state, the target pattern of a long-term capital market should be: Under macrocontrol and regulation by the central bank, with the leading role of the special banks and the participation of enterprises, units, and individuals, and by spurring the mechanism with interest, social capital should be pooled through the means of direct and indirect capital accommodation and be used in those fields of the national economy that badly need it to bring about a balanced and coordinated development of the national economy.

A great deal of work has to be done to enable a long-term capital market to stride forward toward its target pattern. In this regard the most important thing is to develop a direct capital accommodation market, reform the means of capital accommodation, and pay attention to the improvement and development of a second-tier market. To vigorously run a second-tier stock market, it will be advantageous to the development of a first-tier market, to the prevention of short-term tendency of bonds, and to the rational flow and quick turnover of capital. China has issued tens of billions of yuan of treasury bonds and

different kinds of stocks which constitute the conditions for establishing a second-tier market. With the development of the issuing market in the future, the amount will continue to increase. At present the obstacle to establishment and development of a second-tier market is mainly the failure to foster a commercialized view of bonds. Usually the purpose of issuing bonds is to pool capital and once capital is pooled the task is accomplished. However, if circulation of the bonds is not allowed and if the investors do not have the right to cash their assets, it will be difficult to attain the purpose of pooling capital.

Therefore, to set up and develop a second-tier market, it is necessary to establish a market view and an interest spurring view. Buying and selling of all kinds of securities should be allowed at the second-tier market. Instead of imposing restrictions, the prices of securities should be regulated by the supply and demand relationship which is like an invisible, skillful hand readjusting the prices so that the seller will not suffer a loss and the buyer can make a profit. Even if some people make a living through this business and engage in speculation, there is nothing to be afraid of. Naturally, we should strengthen management and strive to prevent and put an end to any abnormal phenomenon that might crop up.

Seek a Balance of Total Amount of Capital and Rational Use of Capital

There are now a number of problems in China's capital market, such as capital prices, the sluggish flow of capital due to barriers erected between regions and departments, and efficiency of capital. Of these, the following two problems are very important:

First, the imbalance of the total amount of capital in the capital market and the amount absorbed by the capital market is far below its distribution. As everyone knows, the increasing supply of currency in the whole society is put into circulation through the credit procedure. The excessive credit and currency put into circulation in recent years were due to the following: The large amount overdrawn by finance departments from the banks; although revenue decreased relatively, expenditure remained unchanged and bank loans were used to make up the deficiencies in the budget as it was difficult for finance to undertake the investment in fixed assets arranged by the state; following the management over circulating capital by the banks, the state no longer made allocation and the circulating capital pooled by enterprises was limited; the banks had to shoulder the task of supplying large amounts of circulating capital which outstripped the capacity of credit; and the failure of the banks to exercise strict control over credit funds and the soft budget restraint over credit funds. In short, there was a lack of overall balance and coordination which gave rise to excessive distribution of capital.

Another important question confronting China's capital market is the irrational flow or use of capital. It constitutes an important role of a capital market to promote

and realize the rational flow of capital through the market mechanism so that we can rationally distribute the natural resources and essential production factors and make the most of capital. Although capital and financial networks based on key cities have taken shape in some regions recently, promoting the flow of capital between regions, trades, and investors, the mechanism and functions of a capital market have not yet been demonstrated and the targets of a capital market promoting and realizing the rational flow of capital are far from being reached. Viewed from indirect capital accommodation, the state has used a portion of the credit funds for investment in fixed assets as budgeted funds which has weakened the role of credit readjustment of various levers and mechanisms.

Viewed from direct capital accommodation, excessive administrative interference and the failure to give full play to the role of market mechanism have hindered the issue of some kinds of bonds. Owing to uniformity imposed on distribution, regarding the enterprises that need support and development, on the one hand, the state encouraged these enterprises to issue bonds to pool the funds they badly needed and on the other hand, the state requested them to use large amounts of funds to buy bonds. As a result, the funds accommodated directly by the enterprises that need support and development were usually expressed in outflow rather than inflow.

These two problems should be fundamentally solved. Above all, it is necessary to adopt resolute measures and effectively exercise control over excessive investment and consumption. Viewed from a capital market, it is necessary to make efforts from the following two aspects:

First, it is necessary to solve the question of ideological understanding. First, acquire a correct understanding of credit funds. Some comrades hold that enterprises and finance department money is fixed and countable, while that of the banks is inflexible and uncountable because the banks can create money without limitations. Undoubtedly, the banks can create credit, but there is a limit. The amount of currency (in broad sense) put into circulation by the banks should correspond to the total amount of commodities in circulation. If the former does not correspond to the latter or even exceeds the latter, it will lead to expansion of general social demand which is critically dangerous because while financial deficits are in the open, it is difficult to immediately identify the excessive credit put into circulation. Second, it is necessary to understand the difference between financial capital and credit funds. We cannot assume that both financial capital and credit funds belong to the state and that the state can use them indiscriminately. Credit funds are different in nature from financial capital. Financial capital is collected through taxation which need not be repaid or increase in value. However, credit funds of the banks, which have the characteristics of repayment, appreciation, turnover, and risks, come from thousands upon thousands of families. Financial capital can be directly distributed through financial budgets and

state plans, while the banks should make use of and give full play to the role of market mechanism so that credit funds can become a forceful factor to readjust and maintain a balance of market demand.

Second, it is necessary to promote structural reform. China's economic structural reform is now at the point in which a new system is replacing the old one. As the functions of regulation and control of the old system have been weakened and a new system has not yet been comprehensively established, there are many outstanding problems. In the investment structure, the competence and scope of investment of the central authorities, localities, and enterprises are not clearly defined and the state has directly exercised excessive management over investment; in macroscopic management over investment, following the weakening of direct administrative means, no macroscopic guidance has been given to the large amount of investment not included in the budget; and responsibility is separated from powers and rights in investment, no risks are undertaken in investment policy decision, no responsibility is undertaken in spending money, there is no distinction between financial capital and credit funds, and there are no strict restrictions on the use of financial, credit, and enterprise funds. Viewed from the banks and credit, although China's financial system has undergone great reforms over the years and a central bank system has been established, the regulation and control system of the central bank is not yet perfect and it must rely on application of direct administrative means; the mechanism role of a capital market is not fully exploited; and the special banks that have not become enterprises do not have internal motive force and external pressure. All this shows that China's capital market can be gradually perfected only by reforming the investment, monetary, financial, enterprise, and political systems.

MINERAL RESOURCES

Nation's Secondary Sources of Precious Metals To Be Developed

40060142 Beijing GUANGMING RIBAO in Chinese
11 Jan 88 p 1

[Article by Yu Zhuanshi [0151 0278 6108]: "The Shanghai Precious Metals Extraction Plant Has Joined Forces With the Kunming Nonferrous Metals Research Institute To Develop China's Secondary Sources of Precious Metals"]

[Text] At the beginning of 1987 the Shanghai Precious Metals Extraction Plant—a plant specializing in recovering industrial wastes to separate, extract, and reprocess nonferrous metals from them—joined forces with the technologically rich Kunming Nonferrous Metals Research Institute to develop China's secondary sources of precious metals. They have been economically successful. As of the end of November 1987 the platinum family of metals extracted from wastes by the allied companies already accounted for 50 percent of China's

annual output of platinum. Shou Hongxiang [1108 7703 5046], director of this factory, points out that if similar enterprises around the country also moved toward specialized, collectivized joint management, it would be an effective way of putting an end to losses of secondary sources of precious metals in China.

In China's ore reserves, the platinum family of metals, which has been lauded as the "vitamins" of industry, is scarce, low grade, and costly to produce. But a considerable portion of the industrial wastes that contain the platinum family also contain gold and silver. Consequently, separating and refining the platinum family of metals and other chemical reagents from industrial leftovers that contain noble metals is extremely important in meeting the demands of the national economy. In 1986 the Shanghai Precious Metals Extraction Plant recovered and produced 27.46 tons of silver, 135.36 kg of gold, and 62.5 kg of platinum. Not only did it take on the task of recovering and handling nonferrous and precious metal-containing waste residues, scrap, and liquid waste from Shanghai industrial and mining enterprises, it also assisted with precious metal recovery and treatment across the nation. In the past few years new recovery enterprises have sprung up all over the country. But the fact that there are 120 of them in the eastern part of China has exacerbated competition in the limited market for secondary sources of precious metals. Because these plants to a large extent still face technological, equipment, and management problems and have not set up multipurpose utilization systems—to the extent that recovery rates are low and extraction is low quality—additional precious metals in the waste material are discarded a second time in the dregs. This leads to new losses of secondary resources.

When Shou Hongxiang, the young 31-year-old factory director of the Shanghai Precious Metals Extraction Plant, had been on the job only a short time, he decided to put his plant's advantages to good use by ending this renewed waste of secondary resources. In August 1985 he first established a platinum-family new product development group in the factory to provide his plant with the means for recovering the platinum family of metals. After a year of efforts the plant was able to separate all the metals of the platinum family, the recovery rate had reached 98 percent, and product purity had reached 99.9 percent. At the beginning of 1988 it also signed a long-term contract with the Kunming Nonferrous Metals Research Institute of the China Nonferrous Metals Industrial Corporation and established an allied company to jointly develop China's secondary sources of precious metals. In addition, it also established lateral cooperation with recovery enterprises in Jiangsu and Zhejiang, set up widespread recycling centers, and fought to set up a domestic recovery network for secondary sources of precious metals in the last 2 years.

ECONOMIC ZONES

Ten Special Policies Governing Opening Up of Hainan

40060152b Shanghai JIEFANG RIBAO in Chinese
27 Jan 88 p 4

[Text] It was disclosed at the "Hainan Economic Coordination Conference," held a few days ago in Haikou City, that with the establishment of Hainan as a province, the following 10 policies will be implemented to open the island to the outside world.

1. Entry and exit procedures will be simplified for people from other parts of the country and abroad to travel to and from Hainan freely. People from Hong Kong and Macao should show identification cards; compatriots from Taiwan, home visit certificates; and foreigners, passports and travel documents.
2. Hainan's local products will not be subject to export quotas applicable to other parts of the country. Products from other places, the value of which has increased by 20 percent after being processed in Hainan, will be regarded as local products.
3. Imports and exports of various kinds of raw and semifinished materials and other goods (except tobacco and alcoholic beverages) will be exempted from customs duties. Hainan will become a two-tier tariff zone.
4. Foreign exchange controls will be relaxed. Foreign exchange earnings may be retained 100 percent. A foreign exchange regulating center will be set up with authority to act on its own. Exchange rates will be allowed to fluctuate in the market. The use of foreign exchange will not be subject to limits set for other parts of the country. Foreign exchange may be brought in and out of Hainan freely.
5. The financial system will be reformed. The specialized banks may have overlapping operations and extend short-term loans to each other. Local banks will be established. Hainan will have the authority to issue its own bonds and stocks or borrow money, and to give approval for foreign banks to set up offices or branches on the island.
6. The island will assume full responsibility for its revenues and expenditures, with fixed amounts of state subsidies. The state will provide Hainan with 300-500 million yuan each year in discount or low-interest loans.
7. Land use rights may be transferred, mortgaged, or leased with compensation. Foreign investors, conglomerates, wholly owned enterprises, and joint ventures may contract for the right to develop and use tracts of land for a term of 50 years without fear of change.

8. Enterprises now directly controlled by the central government or Guangdong Province will in principle be turned over to Hainan.

9. Hainan will have the authority to consider and approve major capital construction projects. For example, large-scale projects costing 100-200 million yuan may be approved by Hainan and reported to the state for the record.

10. Investors from foreign countries, Hong Kong and Macao, and other parts of China will be treated with even more preferential terms.

12802

Xiamen Adopts Measures To Improve Investment Climate

40060152a Fuzhou FUJIAN RIBAO in Chinese
25 Jan 88 p 1

[Article by FUJIAN RIBAO Xiamen reporters station: "Xiamen Adopts Measures to Improve Investment Climate and Create Conditions for Participation in International Exchange and Competition."]

[Text] The Xiamen Municipal Government announced on 23 January, at a meeting to pass on the guidelines adopted by the State Council's conference on foreign investment, that in order to further improve the investment climate, Xiamen will allow foreign companies to do business according to international practices, a measure aimed at making the "local climate" more attractive and encouraging to foreign investors.

The Xiamen SEZ has succeeded in bringing in a lot of foreign capital, but the investment climate still leaves much to be desired. Not only is there the urgent need to improve the tangible conditions such as harbor, airport, and telecommunications facilities, but problems must be solved in the intangible aspects of the investment climate: low efficiency and red tape; unreasonable charges and fees; lack of respect for foreign-owned enterprises' rights to make their own decisions; and resistance to the transfer of qualified people.

To create favorable conditions for foreign investment and enable the Xiamen SEZ to open wider to the outside world and participate in international exchange and competition, the Xiamen Municipal Government has decided to take the following actions.

—A general survey will be conducted before the end of February to further implement the State Council's 22-article provisions for the encouragement of foreign investment. Teams, each led by a vice mayor, will inspect every one of the 183 partially and wholly foreign-owned enterprises to implement the provisions, help them solve practical problems, correct ways which are

not in keeping with the policy of opening to the outside world, and make it possible for the foreign companies to do business according to international practices as soon as possible.

—Continued efforts will be made to bring in more foreign capital, encourage the launching of wholly foreign-owned enterprises, and speed up the technological transformation of old enterprises with foreign funds. A list will be published in early February of old enterprises to be upgraded with foreign funds. Foreign businessmen are invited to make investments or buy shares. In addition, some small commercial and other types of enterprises will be auctioned off. Persons from other parts of China and foreign businessmen may participate in the competitive bidding.

—Great efforts will be made to speed up the development of the three forms of import processing and compensation trade and accelerate the growth of the neighborhood and township enterprises. The municipal government has decided that the foreign exchange earnings from the three forms of import processing and compensation trade will be shared proportionally as follows: the enterprises, 95 percent; counties and districts, 3 percent; and the city, 2 percent. Rewards will be given to those who have made contributions to the promotion of import processing and compensation trade.

—Procedures will be simplified for more efficient processing of foreign investment. A system will be established, under which six commissions and a bureau will work together and hold joint meetings to consider and approve applications and provide services for the convenience of foreign investors.

—Firm action will be taken to stop unauthorized collection of fees. From now on, all departments must have approval from the relevant superior authorities before imposing any levies on the three kinds of partially and wholly foreign-owned enterprises. The enterprises have the right to refuse to pay unauthorized levies.

At the meeting, Wang Jianshuang [3769 1696 7175], secretary of the Xiamen Municipal CPC Committee, stressed that the leadership at all levels should further emancipate the mind, achieve a common understanding, implement reforms, solve problems, and make contributions to the opening to the outside world. He also pointed out that from now on Chinese-foreign joint ventures do not have to have a Chinese vice president and will be allowed to do business according to international practices.

12802

TRANSPORTATION

Ministry Uses Contract System in Highway Construction

OW160439 Beijing XINHUA in English
0821 GMT 15 Mar 88

[Text] Zhengzhou, March 15 (XINHUA)—The work on China's 27 key highways is expected to be completed sooner than planned after leaders in charge of their construction took out contracts with the Ministry of Communications in Kaifeng, Henan Province, Monday.

Under the contracts, directors of communications bureaus in province-level areas are held responsible for the time limits, quality and investments of these roads, totalling 7,665 km.

They will be rewarded for meeting all contract-set targets and penalized for failures.

Wang Zhanyi, vice minister of communications, described the introduction of the contract system as an "important step" in reforming China's road construction work, as it marks a shift from planned management to contract management.

The roads, scheduled for completion by the end of 1990, include the 187-km Beijing-Tanggu Expressway via Tianjin and 7,478 km of trunk highways throughout the country.

They are designed to alleviate transport strains in major ports and big cities, help the shipment of coal from mining areas, and facilitate tourism.

AGRICULTURE

Shandong 1987 Harvest

40060163b Jinan NONGYE ZHISHI in Chinese
5 Feb 88 p 3

[Excerpt] In 1987, the gross output of grain in Shandong Province was 33,126,000 tons; corn output was 11,289,000 tons, cotton output was 1,144,000 tons, peanut output was 2,148,000 tons, and fruit output was 2.35 billion kilograms. Draught animals numbered 5,200,000, an increase of 400,000 over 1986. The gross value of agricultural output was 29.2 billion yuan, a 5.2 percent increase over 1986. In 1987, output of aquatic products exceeded 1 million tons for the first time. In 1987, the state and localities invested 115 million yuan to set up farm production bases in the province.

**Public Security Minister Wang Fang on
Implementing Public Security Regulations**
40050101a Beijing FAZHI RIBAO in Chinese
1 Jan 88 p 1

[Article by Zhang Ya [1728 0068]: "More Education Needed to Improve the Enforcement of Public Security Regulations"]

[Excerpts] It has been exactly 1 year since the "Public Order Management and Penalty Regulations of the People's Republic of China," (hereafter abbreviated as the "regulations,") passed by the 17th session of the standing committee of the National People's Congress, went into effect on 1 January 1987. On New Year's Eve, this reporter interviewed Minister of Public Security Wang Fang [3769 5364] and asked him about the implementation of the "regulations."

Question: What effects has the implementation of the "regulations" had on maintaining social order and public security?

Answer: According to statistics from January from November 1987, 1,028,868 cases involving the infringement of public order were investigated nationwide and 1,700,505 people were punished, including 227,607 who received warnings, 930,522 who were fined, and 705,908 who were taken into public security custody. Based on statistics, 81 percent of the people investigated and punished for public security violations either disrupted public order, harassed or insulted women, assaulted and injured others, stole, swindled, or committed other acts which seriously jeopardized public order.

Question: In what way have public security agencies taken care to protect citizens' legitimate rights and interests as they go about carrying out the "regulations?"

Answer: The "regulations" include provisions on appeal, filing a complaint, and seeking redress for damages. These are important in safeguarding the citizen's legitimate rights and interests. In enforcing the "regulations," public security agencies everywhere firmly educate cadres and policemen to submit themselves to mass and legal supervision conscientiously and rid themselves of the notion of "officials controlling the people, not the other way round" in a fundamental way. Over the past year, more and more cadres and policemen have replaced their ignorance of the appeal and litigation systems with understanding. Their lack of consciousness has given way to conscientiousness. Formerly ill-adapted to the systems, they are now well adjusted to it. Appeals filed by citizens are reviewed rigorously. In cases where the original verdict was wrong, the public security agency at the higher level will promptly correct it. Where the legitimate rights and interests of the party concerned have been impaired, the organ will order that damages be awarded in accordance with the "regulations" and take the initiative to apologize to the party.

Question: What problems still exist in implementing the "regulations?" What measures have been taken to correct them?

Answer: Because of inexperience and the emergence of endless new circumstances and new problems, a number of issues remain in the implementation of the "regulations:"

1. We have not gone far enough to publicize the "regulations" to the point that it becomes a household word known to everybody. Some pockets of ignorance still exist in certain villages, particularly in the remote areas. Moreover, a number of individuals interpret and apply the "regulations" incorrectly. Therefore, it is proposed that party committees and governments at all levels continue to regard the "regulations" as an important part of common law education and publicize it steadfastly in a planned way. In the course of handling public security cases, public security agencies must go out of their way to mount a publicity and education drive using actual cases as examples in order to make their propaganda more vivid and persuasive.

2. Public security agencies still have some way to go before they succeed in applying the "regulations" properly. Their partial understanding of the administrative appeal system provided by the "regulations," in particular, coupled with their fear of being sued and of mishandling a case, makes for overly cautious behavior. Between a light sentence and a stiff sentence, they tend to opt for the latter, fining a person, for instance, instead of locking him up. In implementing the "regulations" in the future, public security agencies at all levels should make arrangements whereby the broad ranks of cadres and policemen can study and understand the "regulations" in depth. The agencies also should seek to upgrade the standard of enforcement continuously. An effort must be made to enforce the "regulations" accurately and thoroughly.

3. There is some behavior which jeopardizes social order but which falls outside the scope of the "regulations." The "regulations" enumerate 73 kinds of behavior that violate public order. In the new age of reform and opening to the outside world, however, we see an endless parade of actions which definitely pose a social threat but which do not warrant criminal penalties. Now public security agencies cannot deal with them for lack of legal provisions. It is proposed that the legislative work commission of the standing committee of the National People's Congress study this issue and come up with a proper solution.

4. There is an urgent need to improve houses of detention. A house of detention is where we educate people locked up for disrupting public security. At present such people account for 30 to 40 percent of all public security criminals and number about 700,000 each year. Nationwide there are 2,000 houses of detention, but since most of them are crude structures with inadequate educational

resources, what we do is simply lock people up, objectively speaking. The upshot is that a good number of them do not receive any education. All quarters should pay attention to this problem and support public security agencies in turning houses of detention into places where people are really educated and rehabilitated.

12581

**Seminar on Sociology, Social Modernization,
Building of Marxism**

40050101c Beijing GUANGMING RIBAO in Chinese
10 Jan 88 p 3

[Text] A seminar on "China's social reform and the development of sociology" was held in Guiyang recently. Jointly sponsored by eight units—the publishers of ZHONGGUO SHEHUI KEXUE and SHEHUIXUE YANJIU, China Sociology Correspondence University, the theoretical department of GUANGMING RIBAO, the provincial committee of the Communist Youth League, Guizhou Academy of Social Sciences, the Sociology Institute of the Guizhou Academy of Social Sciences, and the Guizhou Nationalities Institute, the seminar was attended by over 100 sociological workers from all over the country. The substance of the meeting is summarized as follows:

1. Theory of Building Chinese Marxism

Many comrades argued that while Marx never dealt with the notion of "modernization" formally, modernization thought had been put forward as early as the nascent stage of historical materialism. The kernel of Marxist social development theory itself has to do with the development of modern society. After the triumph of the October Revolution, moreover, Lenin expounded on Soviet modernization and industrialization. In addition, the research on Marxist development theory by a number of Marxists and members of the New Left in the West has spurred Marxist studies on capitalism and imperialism to a certain extent and generated public interest in this matter. In response to world developments in recent years, just about every socialist nation has put reform on its agenda. How to sum up the world experience, relate it to its own realities, and speed up reform has become the top priority of every socialist country today.

On searching for a Chinese way to development and build a Chinese Marxist development theory, some comrades suggested that objectively speaking, modernization means a shift to modern industrial society, a transition which is objectively measured by the level of productive forces. Be that as it may, the pattern of development cannot possibly be along one track. Nor can there be just one development model for countries in different eras with different internal and external conditions and different dynamics. Thus neither "total Westernization" nor "total Sovietization" will work. The Chinese way to

modernization is a winding road. The Chinese experience is entirely capable of forming a Chinese school of thought in modernization studies.

2. Overall Social Development and Regional Differences

Some comrades noted that in discussing Chinese social development, we must first get a handle on the overall benefits of social development. Others argued that the guiding principle for China's overall social development strategy is this: Take the development of productive forces as the base and the development of people as the core around which society, the economy, politics, science and technology, culture and education should develop in a coordinated way. Accordingly, they suggested that before grappling with the various complex relationships that will emerge in the course of modernization, we should first reconcile the following: 1) The relationship between the development of productive forces and overall social development. The development of productive forces does not amount to overall social development. The determining factors in social development do not include all factors. For a society to function properly, it cannot depend on economic development alone but requires coordination and mutual support among all systems. 2) The relationship between material development and human development. Modernization consists of more than material modernization. It must also include human modernization. Man and productive forces interact with each other. Not only is man "used by materials," but he is also the objective and the source of the development of productive forces. 3) The relationship between consumption pattern and life style. China has a huge population and started from a low level in its development. Thus even if it manages to increase its domestic output value fourfold by the end of the century, it will still trail developed nations in living standards and quality of life. Taking into account China's actual conditions, therefore, we think our best option today when it comes to life-style and consumption pattern is this: make use of our strengths, pursue "structural optimization," and emphasize the quality of life. In other words, in the shortest time possible and using a minimum of human and material resources, we must try to achieve the highest quality of life permitted by the level of productive forces so that the people can live in comfort, harmony, and safety.

As for urbanization and industrialization models, some comrades pointed out that while the development of township and town enterprises and of small towns, our hope for bridging the urban-rural gap, has made some progress in recent years, problems also have emerged. Given China's realities, we should seek breakthroughs in the middle to stimulate development at both ends by building up medium-sized cities (with population between 200,000 to 500,000) in a planned way. We should channel the human and material resources of China's vast countryside and large cities into medium-sized cities so as to create a nationwide network of large,

medium-sized, and small cities and promote coordinated urban-rural development. Other comrades pointed to China's complex internal structure and substantial regional differences—the coast, the center, and the west are all different from one another—as what decides that we must diversify development models and approaches. Thus we must choose the development model most suited to the local circumstances of the region concerned.

3. Other Important Issues in Reform and Development

Concerning the relationship between fairness and efficiency, many comrades argued that by interpreting fairness to mean absolute equality and sacrificing economic efficiency in the name of so-called social justice in the past, we ended up in common poverty. Learning from this lesson, we should now realize that only a high degree of economic efficiency can help achieve social justice. Some comrades contended that social justice cannot be interpreted simplistically to mean equality in distribution. Nowadays, justice more often means equal opportunity and matching rights with obligations. In the real world, inequality, which is a barrier to raising productivity, results largely from the lack of equal opportunity and the fact that some people get rich through improper means.

On the analytical studies of social structure, many comrades believed that reform is the self-improvement of a social system and must be all-embracing. Ultimately, reform may lead to the transformation of the social structure. As some comrades see it, we must take the requirements of reform as our starting point and try to analyze and understand the imperfections and irrationalities of the existing social structure. The fact is that before the 3d Plenum of the 11th CPC Central Committee, Chinese society exhibited clear signs of a unified domain. Its structure was that of a monolithic society centered on political power, where the chain of command was predominantly vertical and where horizontal linkages were weak. The result was that society as a whole fell short of autonomous unity, making the operation and adjustment of social mechanisms more difficult. Other comrades noted that reform is a process whereby society improves its structure. A good social structure should have two kinds of attributes. On the one hand, it should have a relatively stable internal order and the ability to maintain this order. On the other hand, it should have the ability to change this order and adapt to external and internal changes if necessary.

On social stratification studies, some comrades pointed out that there are currently three stratification theories. The first and second theories use the stratum and class as the framework of stratification, respectively. In the third theory, class analysis and stratification analysis are combined to form the framework of stratification for China at its present stage of development. Of the three frameworks, the third one is considered most appropriate. The key to constructing the third kind of framework lies in identifying a point where class analysis converges with

stratification analysis. Other comrades thought that stratification studies is a new topic different from class analysis of the past and that it was not consistent with Marxist class analysis to interpret class (stratum) as a political concept and classify people as leftist, middle, or rightist, as we did for years in the past. This is because the Marxist class concept is an economic concept.

The seminar also discussed a reasonable proportion between theoretical and practical research in sociology, population, and ways of strengthening cooperative sociological research in the future, among other things.

12581

Marxism, Educational Reform

40050101b Beijing GUANGMING RIBAO in Chinese
13 Jan 88 p 3

[Article by Liu Qinmao [0491 5367 5399], Li Guogong [2621 0248 2162], and Li Xueqin [0536 7185 3830]: "Educational Reform Must be Combined With the Study of Marxist Educational Thought"]

[Text] The All-China Marxist Educational Thought Institute held its third annual conference in Leshan, Sichuan, from 19 through 24 November 1987. The main discussion topic was "Marxism and educational reform in China." Conference participants focused on these issues:

1. Adhering to and furthering Marxist educational thought. Participants emphasized that educational reform must be combined with the study, research, and dissemination of Marxist educational theory. We must propagandize Marxist theory and method (including Marxist educational thought) unequivocally, overcome our rigid thinking constantly, remove the erroneous viewpoints that have become attached to Marxist educational thought, and eliminate the few conclusions that have utopian elements or been proven by practice to be out-of-date. We should have the courage to offer new theories to explain the various changes in world education today and the issues raised in educational reform within China.

2. Basic educational theory and the guiding principle for educational reform in the initial stage of socialism. Some comrades argued that theoretical research differs from applied research and precludes our studying specific reform measures. Nevertheless, we must take part in educational reform, put forward an overall reform scheme, and offer reform a theoretical basis and guiding principle. Concerning the guiding principle for educational reform, participants freely discussed the following points of view in light of China's realities: 1) As we go about reforming and developing China's education, we must take the nation's conditions as the starting point. In analyzing China's cultural and educational backwardness, some comrades applauded the new ideas, new concepts, and cultural renewal resulting from reform and

the policy of opening to the outside world, but also found the abnormal intermingling between modern material civilization and religious superstition, between feudal culture and bourgeois life-style, worrisome. 2) We should intensify research on the nature, characteristics, and dynamics of education in the initial stage of socialism. 3) Modernization requires outstanding qualified personnel in large numbers as well as workers of an improved

caliber. Thus some comrades argued that the relationship between national education and the education of qualified personnel should be properly handled.

The meeting also discussed the conceptual connotations, characteristics, and theoretical point of departure of Marxist educational thought. A new board of directors was elected, with Professor Li Yixian [0632 0110 6343] as chairman.

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Strategic Rocket Force Developments

Training Planning System Implemented

40050157a Beijing JIEFANGJUN BAO in Chinese
30 Dec 87 p 1

[Text] The first PLA service arm-level planning system for military training was approved by leaders of the Second Artillery Corps [China Strategic Rocket Force] at the end of December and formally promulgated to subordinate units for implementation. This is a document with laws and regulations drawn up by the Second Artillery to adapt to the new situation and requirements of military training after the strategic shift. It gives prominence to the characteristics of Second Artillery training and makes use of the newest training results of recent years. It also utilizes training supervision and information feedback to direct training, and has great significance for firmly establishing regular, modern military training priorities and strengthening planning management and scientific guidance.

The Second Artillery Training Department in 1984 began to explore the structure of military planning systems. With repeated verification and continuous study, and on the basis of recent reforms in Second Artillery training at all levels, it formed a planning system which extended down to the battalion and company level. It has four main points: First, it uses words and diagrams to transmit training plans down level by level and to be mutually supplemental, thus opening a new path in raising the quality and effectiveness of planning work. Second, it embodies macroscopic control and microscopic implementation. Based on the principles of each level having responsibilities, management having layers, and guidance being divided by category, it fully utilizes the chief military and political leaders at every level, as well as the training management, inspection, guidance, and adjustment roles of the training departments. Third, it establishes a supervision system for before and after training, as well as daily activities, which conducts timely inspections to guarantee the realization of training plans. Fourth, it strengthens information feedback in training planning. Each level designates a person responsible for exchanging and transmitting training information, and acting as liaison between upper and lower levels.

Missile Crews Stress Training in Basic Skills

40050157b Beijing JIEFANGJUN BAO in Chinese
26 Jan 88 p 2

[Text] Before training in the new year began, a certain unit of the Strategic Rocket Force, after investigating and studying the situation in basic training over the past year, clearly pointed out that during this year's training it would equally stress building a good foundation and training in combined arms. Basic training would be imbued with a consciousness of combined tactics, and tactical training would further develop basic training.

Last year this unit focused on the phenomenon of emphasizing combined arms training at the expense of basic training. It scientifically organized training content and reformed basic training content and methods, and achieved excellent scores in the year-end evaluation of technical training received and the operation of actual equipment. Realizing both technical training and complete training was the focus of basic training. First, it strengthened training in organizing command and broadened the cadres' knowledge. Before starting training, it conducted specialized technical and command organizational collective training for cadres of the organizational staff, combat operations fendui, and support fendui, making use of sandtables to conduct exercises which allowed cadres of the combat operations and support fendui to train indoors and clarify the missile command procedures. Second, technical training was strengthened and they worked hard at basic skills. Operations training stressed basic training and followed the "Manual for Regularized Operations" without skipping topics or allowing mistakes to go uncorrected, creating a good technical basis for combined arms training. To improve the basic skills of missile crews, dedicated funds were spent on setting up complete actual equipment for the rotational training of units, and each specialty was trained in turn. Third, tactical training was strengthened and combined arms standards were raised. Full advantage was made of opportunities for the units to enter the training grounds and conduct motorized marches, communications liaison during penetrations, tactical camouflage, alerts while in quarters, and field air defense.

Maintenance Capability Improved

40050157c Beijing JIEFANGJUN BAO in Chinese
7 Dec 87 p 1

[Text] After many years of relying on local factories for the maintenance and repair of special equipment, units of the Second Artillery Corps [China Strategic Rocket Force] have, during reform, gradually established a self-maintenance system for special equipment. From January to November of 1987, they relied on their own capability and completed more than 120 major and intermediate repairs, 75 percent of which were successful.

Strategic missile weapons systems use advanced technology and are complex. There are many specialized facilities and the demands and difficulty of maintaining special equipment are great. Soon after the Second Artillery Corps was established, subordinate units created maintenance plants (stations), but because their facilities were crude and their technical knowledge skimpy, each year a large amount of special repairs had to rely on local factories for completion. In 1984, starting from the needs of future counter-invasion warfare, the Second Artillery began to explore the option of independent equipment maintenance. At each of the repair factories it divided labor according to maintenance specialties and unified the use of maintenance capability at all levels of the Second Artillery. In addition, at all

factories it stressed technical reforms, equipment renewal, and the training of personnel, bringing out the strong points of the factories and heading them in the direction of specialization. In the past, each repair factory was narrow in its thinking. During maintenance reforms, each factory took the initiative in establishing cooperative relations with relevant factories, schools, and research institutes both within and outside of the military, and in this way continuously improved. Technical equipment units of the Second Artillery also unified their organization and use of the technical expertise of organic educational institutes, scientific research institutes, and military representatives at factories, and joined in efforts to solve difficult technical problems. Their shared innovations in maintenance theory and research, achieving 294 research results over the last 3 years, 6 of which were awarded national prizes.

Continuous strides in maintenance system reforms have greatly improved the Second Artillery's maintenance capability. Each repair factory has divided labor according to specialty and widely absorbed advanced skills and techniques from China and abroad, taking on increasingly bigger and more difficult tasks. Compared to the local factories, maintenance times are now shorter, costs have dropped, and quality can be assured.

Missile Construction Projects Correct Past Flaws
40050157d Beijing JIEFANGJUN BAO in Chinese
1 Jan 88 p 1

[Text] In 1987, 109 major investment engineering construction projects of the Second Artillery Corps [China Strategic Rocket Force] were completed 34 days ahead of schedule with 100 percent of the work up to standards and 60 percent being "excellent." Second Artillery engineering construction is a major topic of the national defense strategic defense system. For a long period of time, because the conduct of management and command totally relied on administrative orders, engineering construction did not keep track of costs and did not worry about effectiveness, and overruns and extensions occurred every year. In 1987, Second Artillery leaders practiced many forms of the contract responsibility system throughout the engineer units, such as contracting with budgetary estimates, with overall cost estimates, with annual budgeting, by overall cost per square meter, using bartering in kind, and with unilateral production costing. By solving the problem of "eating from one large pot," every engineer unit from the beginning of the year strove for work efficiency and changed the past attitude of "not busy in the spring, not hurried in the summer, we'll wait until the end of the year and then hurry." To solve the problem of "tigers blocking the path" of engineering construction and to free the cadres and soldiers from strenuous manual labor, the Second Artillery and its research institutes, schools, units, and organizations came up with seven important research results which enabled engineering research to establish topics, produce results, and become effective all in the same year.

Combat Readiness Improved

40050157e Beijing JIEFANGJUN BAO in Chinese
16 Dec 87 p 1

[Text] The strategic shift in the guiding ideology for military construction has brought vitality to the combat readiness building of the Strategic Rocket Force. After more than 2 years of effort, the basic conditions for the force's combat readiness are complete and regularized priorities for combat readiness have been established. The units' equipment completeness, combat quality, and overall operational capability have all been improved to form a combat readiness system which unites peacetime and wartime. A certain brigade of the Second Artillery Corps held an on-the-spot meeting from late November to early December which summarized experiences in combat readiness building.

Since in the past combat readiness building in the Strategic Rocket Force was carried out over a rather long period of time to meet contingencies under the threat of war, the result was that its foundation was not solid, management was not regular, overall completeness was not good, and year-to-year combat readiness was affected. After the strategic shift in the guiding ideology for military construction, Second Artillery organizations and units closely followed the directive to unite peacetime and wartime, and actively explored options for combat readiness work, making progress in many areas. Adjusting the units' deployment and separating the barracks area from the positions not only solved the long-standing problem of family members not easily finding work or attending school, but also laid a foundation for establishing a united peacetime-wartime combat readiness structure. It adapted to the Second Artillery units' strong overall actions in combat operations and strengthened the building and rounding out of technical support specialties such as communications, surveying, meteorology, chemical defense, and management of the positions. It especially improved building in the warhead fendui and increased measures for warhead resupply, thus changing the situation long in existence of essential combat operation factors not being complete. Based on the requirements of mobile operations, critical problems in mobile positions were studied. Taking root in the principle of peacetime camouflage and wartime use when called upon, selective plans were worked out for rapid advance, rapid firing, rapid withdrawal, and keeping construction work minimal and construction time short. Initial steps were also taken to solve the problem of mobile command posts. In the area of combat readiness training, based on the characteristics of Second Artillery combat operations, combined arms training with the launch battalion as primary was strengthened and overall operational capability was improved.

While completing conditions for various combat operations, the Second Artillery also firmly established a viable combat readiness system, along with regulations and standards, distributing "Second Artillery Combat Readiness System Regulations" and "Missile Brigade

Combat Readiness Standards" to the units. These stipulated the combat readiness postures for all types of missile units with different missions, and moreover established regularized combat readiness priorities, making another step in perfecting the combat readiness system.

The formation of the Second Artillery's united peacetime-wartime combat readiness system shows that this modernized force has shifted from its long term pioneering stage of construction to become an armed might that the nation's people can rely on.

New Warhead Checkout Device

40050157f Beijing JIEFANGJUN BAO in Chinese
10 Dec 87 p 2

[Text] A rapid checkout device for inspecting insulation and continuity in the electric cable network of a certain missile warhead's attitude control system has been successfully developed by a certain regiment of the Second Artillery Corps [China Strategic Rocket Force]. It has been technically certified and has formally entered service. This equipment has a low production cost, high precision and accuracy, simple operation, and saves manpower and effort.

Electrical Field Meter To Prevent Lightning Strikes

40050157g Beijing JIEFANGJUN BAO in Chinese
29 Nov 87 p 1

[Excerpts] A warning device for lightning strikes when launching rockets or missiles in poor weather conditions, the Type KDY-1 atmospheric electrical field meter, has been successfully developed and was certified in Beijing on 20 November. It increases our combat capability for launching missiles in bad weather conditions. Meteorological departments of the Second Artillery Corps [China Strategic Rocket Force] worked closely with the Space Science and Application Research Center of the Chinese Academy of Sciences, and developed this device after one-half year of difficult work. It can also be used to prevent explosions at other types of factories, and at present is an instrument which only developed countries such as the United States and Soviet Union possess.

New Missile Technical Training Simulator Developed

40050157j Beijing JIEFANGJUN BAO in Chinese
1 Jan 88 p 2

[Text] In mid-December 1987, a strategic missile technical training simulation system which utilizes laser optics audio-visual and voice technologies was successfully developed and technically certified at the ministerial level, showing that China's laser optics audio-visual technology has entered a practical stage. This training simulation system was developed by the Missile Engineering College. Using this system, it is not necessary to employ actual equipment nor be limited by external

conditions. In addition, it has functions for self-grading training results and for the display of malfunctions, thus breaking out of the monotony of training at installations, increasing the intensity and quality of technical training, and reducing expenditures. It clearly possesses military and economic effectiveness, and its production cost is only 10 percent of actual equipment.

Improved Logistics Training for Missile Units

40050157k Beijing JIEFANGJUN BAO in Chinese
4 Mar 88 p 2

[Excerpt] A certain brigade of the Second Artillery Corps [China Strategic Rocket Force] has focused on the basic characteristics of missile unit logistics support, and within the logistics system has conducted logistics training with combined tactics as its center. It gradually formed a laterally synchronized, level-by-level vertically combined logistics support system which improved the logistics overall support capability. There have also been new developments since entering the new year.

This brigade focused on what in the past was a lack of integrated planning in logistics training and a lack of systemized content, and formed a small logistics science research group to systematically look into the characteristics and methods of missile brigade logistics support training with the emphasis on vertical and lateral level-by-level unified combined training. They divided logistics support into more than 40 specialized topics with 3 stages for conducting training. First, each type of specialized troop carried out theoretical and operational training at their own posts, and organizational cadres primarily conducted self-study with the stress on operations and tactical theory, organizing command and work procedures, and the drafting of various wartime documents, plans, and preparatory files. Second was split-up training where each organizational section and fendui acted as basic elements. Organizations formed up along their professional sections and conducted service support training to improve the internal coordinated support capability of the sections and fendui. Third were various service support exercises under nuclear conditions.

Innovations of Second Artillery Engineering Design Institute

40050157l Beijing JIEFANGJUN BAO in Chinese
9 Jan 88 p 1

[Excerpts] Since 1985, the Second Artillery [China Strategic Rocket Force] Engineering Design Research Institute has completed 20 important scientific research projects of which 16 have been promoted for use in the units.

The form of underground engineering support protection had many flaws which had existed for a long period of time, and sudden landslides seriously threatened the lives of construction personnel. Commanders and soldiers of the engineer units urgently hoped that the

researchers could develop a new form of support protection and an effective method of controlling landslides. This institute actively organized assets to tackle the problem, and after one-half year of difficult labor, presented a new technique which was welcomed warmly when put into use by the units.

In cooperation with the units, the research institute this [past] year conducted research in 5 topics including "lightweight wall material," an "electric heater [dian-jiaqi 7193 0502 0892] for ventilation systems," and an "wall rock anchor reinforcement technique using a molten steel impeller pump."

Air Force Leaders Meet With Pilots

HK101405 Beijing JIEFANGJUN BAO in Chinese
27 Feb 88 p 1

[Report by Liu Congli (0491 1783 4409): "Air Force Leaders Discuss the Question of Strengthening the Building of the Contingent of Pilots with Grassroots Pilots and Cadres"]

[Text] From 20 January to 8 February, Air Force Commander Wang Hai, Political Commissar Zhu Guang, and some other leaders of the PLA Air Force went to air force units to discuss with the pilots and cadres at the grassroots level the question of further strengthening the building of the contingent of pilots. During the discussions, the Air Force leaders no longer used the past report method that "I speak and you listen only," but held discussions democratically and on the basis of equality. Thus, true facts were disclosed, consultations were held, and criticisms were put forward in a democratic atmosphere. As a result, the understanding between the senior and junior levels was greatly enhanced. In addition, the pilots and cadres at the grassroots level also strengthened their own sense of being the master of their country and their determination to carry out the reform.

In over half a month, the PLA Air Force leaders went to seven air divisions, Air Force command institutes, flight testing and training centers, and some other Air Force units. They held discussions with more than 600 pilots, the families of the pilots, and the Air Force cadres at the grassroots level in those units. The discussions were conducted in a vivid and lively atmosphere, producing very good results.

Whenever the leaders of the PLA Air Force went to an Air Force unit, they went to the grassroots level to see the pilots and their families, listen to the views of the pilots and their families, and discuss questions with them on the basis of equality. Some comrades said that it has been difficult for pilots to find proper jobs over the past few years after they were transferred to civilian work. They said pilots have now become "land phoenixes that are inferior to chickens." Although some questions raised by the comrades were not necessarily true to the facts, Air Force Commander Wang Hai did not interrupt

the comrades and waited for all the comrades to finish their speeches. Commander Wang Hai first acknowledged that there have been some difficulties over the past few years in finding proper jobs for pilots after they were transferred to civilian work. However, Commander Wang Hai stressed that so far, there have only been few such cases. Commander Wang Hai said that over the past 3 years, several thousand Air Force cadres have been transferred to civilian work. Both the Air Force and the local people's governments have shown great concern for the Air Force cadres who have been transferred to civilian work. He said the majority of the Air Force cadres who have been transferred to civilian work have been given proper jobs according to their own wishes. For example, among the Air Force cadres who were transferred to civilian work in 1986, only less than 1 percent failed to find proper jobs. Commander Wang Hai then talked about some new ways of resettling the Air Force cadres who no longer fly planes. He also briefed the comrades on some measures and reform plans the Air Force CPC Committee will soon implement. All the comrades learned a great deal from Commander Wang Hai's speech and were greatly encouraged by it.

During the discussions, the majority of the questions raised by the pilots and the cadres at the grassroots level were concerned with how to look at the reform, how to look at the positions, how to look at the salaries, how to look at the future of individual pilots, how to look at the relatively backward weapons and military equipment, and so on. Although some of the questions were difficult to answer, the Air Force leaders still tried their best to give explanations to the comrades without using any official jargon and tried their best to tell the comrades that the party and the state have shown great concern for the Air Force. While acknowledging the problems and difficulties that still exist, the Air Force leaders also guided the comrades to look at these questions by taking into consideration the overall situation of the country. Some pilots said that compared with the foreign pilots, the salaries of the pilots of our country are too low. Political Commissar Zhu Guang cited practical examples concerning our country's national and military situations to explain this question to the comrades instead of simply demanding that the comrades correctly view this question. Political Commissar Zhu Guang said that since the 3d Plenary Session of the 11th CPC Central Committee, the state has adopted measures to improve the salaries and treatment of pilots, even under the circumstances that our country still has financial difficulties and lacks goods and materials. Compared with the salaries of the ground force cadres at the corresponding ranks and positions, the pilots get nearly 100 yuan more. For example, the salary of a pilot with the rank of battalion commander is equivalent to that of a ground force cadre with the rank of division commander. Therefore, the political commissar said that when considering the question of raising the salaries and improving the treatment of pilots, the Air Force cadres should not cut themselves off from the majority of the

masses and should not unrealistically compare their salaries with those of foreign pilots and with the incomes of some people who have become prosperous earlier than others. All the comrades agreed with the practical and realistic views of Political Commissar Zhu Guang.

The Air Force leaders carefully collected the views and suggestions put forward by the pilots during the discussions and were determined to improve their work and implement the relevant measures. For example, after holding discussions with the air and ground force personnel of the Air Force Command College, the Flight

Testing and Training Center, and the Independent Transport Regiment, the leaders of the Air Force summed up and sorted out the problems and views expressed by the comrades and then put forward specific proposals for solving these problems to the Air Force CPC Committee for deliberation. The Air Force leaders also ordered the relevant departments of the Air Force to study the specific proposals and measures on solving the specific problems and demanded that those departments improve their work and implement the relevant measures in the Air Force units as soon as possible.